

JPRS 83706

17 June 1983

# China Report

ECONOMIC AFFAIRS

No. 352

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17 June 1983

## CHINA REPORT ECONOMIC AFFAIRS

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## NATIONAL POLICY AND ISSUES

### CHONGQING PROMOTES SUBSTITUTION OF TAXES FOR PROFITS

Chengdu SICHUAN RIBAO in Chinese 7 Apr 83 p 1

[Article by Reporters Yu Jingping [7411 2529 1627], Yang Wenyi [2799 2429 6965] and Wang Hua [3769 5478]: "Chongqing's State-Run Industrial Enterprises Promote the Substitution of Taxes for Profit Delivery in an All-Round Way--Adhere to the Orientation of Restructuring Economic Systems and Correctly Deal With the Economic Interests of 'the Three'"]

[Text] In the comprehensive restructuring of economic systems, the city of Chongqing has correctly dealt with the interests of the three -- the state, the enterprises and the staff and workers -- and promoted the method of "substituting taxes for profit delivery" in state-run enterprises in an all-round way to stimulate enterprises' internal motivation and guarantee a steady increase of state revenue.

It was further clarified at the symposium of some industry bureaus, companies and enterprises in Chongqing on the issue of "substituting taxes for profit delivery" which concluded on 1 April, that beginning this year, state-run enterprises throughout the municipality will extensively promote the method of "substituting taxes for profit delivery." The main point of the method are as follows: Fifty-five percent of income taxes should be levied on actual profits made by profitable large and medium-sized state-run industrial enterprises. The total amount of profits they actually made in 1982 should be used as a base in fixing the percentage of profits to be retained by them and the rate of regulatory taxes to be levied on their profits after income taxes. Such a percentage and rate should be fixed for each enterprise on a case-by-case basis and should remain unchanged for 3 years. Profitable state-run small industrial enterprises should pay income taxes on their actual profits in accordance with the eight-level surplus progressive tax rates of small state-run industrial enterprises in Chongqing municipality and pay charges on the utilization of fixed funds. After paying taxes and charges, they should distribute their profits in accordance with the contracts they signed and assume sole responsibility for their own profits and losses. The state will not allocate funds to them. The Chongqing Clock and Watch Industry Company and the Chongqing No. 3 Printing Plant should continue to implement the measures of "substituting taxes for profit delivery and assuming sole responsibility for their own profits and losses" on a trial basis in accordance with the original stipulations of the province and municipality. They should also readjust enterprises' funds and staff and workers'

bonuses in accordance with the stipulations provided by the relevant documents of the provincial government and increase their income tax rates accordingly. In Nantongkuang district, Shuangqiao district and Ba, Jiangbei, Changshou and Qijiang counties, all industrial enterprises, except for powerplants which should continue to implement the measure of "supporting electricity with electricity" in accordance with the relevant stipulations of the province, should pay 40 percent income taxes on their profits in accordance with proportional tax rates. As for the profits after taxes, the districts and counties should each study and work out measures to divide the profits between them and their enterprises.

State-run industrial enterprises having deficits should, considering companies (main plants) as units, carry out the contract system that allow them to have a limited amount of deficits and share profits to reduce their deficits. Companies (main plants) should assume sole responsibility for the excess amount of deficits. If the profits of enterprises adopting an independent accounting system are under 50,000 yuan, their companies (main plants) are allowed to keep all of them to reduce deficits. If they are over 50,000 yuan, 40 percent of the excess amount should be handed over to the state, and their companies (main plants) are allowed to keep the remaining 60 percent.

Chongqing municipality has conducted experimental work of substituting taxes for profit delivery in selected industries and enterprises since 1979 and has achieved good results in general, although the measures of the experimental work need to be further improved. The Chongqing Municipal First Light Industrial Bureau has conducted the experimental work of substituting taxes for profits in selected trades and professions since 1981. Comparing 2 years before and after the experiment, the industrial output value of the experimental units increased 25.6 percent, their profits handed over to the state increased 33.1 percent, the state revenue actually increased by 76 million yuan and the income of enterprises and individual workers and staff members also increased accordingly. The practice of over 3-years experimental work shows that the orientation of the reform--substituting taxes for profit delivery--has been correct and economic results have been notable. Having carried out experimental work to gain experience, the Chongqing Party Committee and People's Government recently made the above decision on promoting "the substitution of taxes for profit delivery" in state-run enterprises.

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CSO: 4006/482

## NATIONAL POLICY AND ISSUES

### DEVELOPMENT OF SHANGHAI ECONOMIC ZONE DISCUSSED

Shanghai SHIJIE JINGJI DAOBAO in Chinese 11 Apr p 3

[Article: "Proceed From the Situation as a Whole and Accelerate the Development of the Shanghai Economic Region -- Wang Lin [3769 2651] Pointed Out at the Symposium on the Planning Theory of the Shanghai Economic Zone Sponsored by SHIJIE JINGJI DAOBAO That the Integration Should Be Promoted by Policies, Suited by Systems and Protected by Laws"]

[Text] At the symposium on the planning theory of the Shanghai Economic Zone sponsored by SHIJIE JINGJI DAOBAO on 5 April, Wang Lin, director of the Shanghai Economic Region Planning Office of the State Council, discussed four issues.

Planning in Accordance With Administrative Divisions and Economically Coordinated Areas Will Not Work

He said: First, the establishment of the Shanghai Economic Zone is of great significance in promoting the reform of the whole system. The economic zone should not be established in accordance with central or local authorities but with natural conditions formed through history, the distribution of natural resources and the results of long-term development. Planning in accordance with administrative divisions would sever normal economic connections. Planning in accordance with economically coordinated areas which we have tried before would increase echelons and solve no problems. The base of the economic zone is extensive economic connection. It has substantive economic content and is a combination of various economic levers. The economic zone is a new thing which has not only put forward many new tasks but also generated many new concepts. We should continuously sum up and accumulate experiences, raise it to the level of theory and contribute to the national reform of the systems.

The State Council holds that we must establish the economic zone. As for how and what kind of problems we will confront, we still have no experience. Therefore, we must practice. It is very likely that our country will have various forms of economy instead of one from now on. Integrating our country's economy in the form of the economic zone or base is a great reform.

## Various Forms Help Us Gain Experience

Second, leaders at all levels of central authorities pay great attention to the project of establishing the economic zone. Quite a few leaders have personally engaged in investigations to solicit local opinions. Their opinions on the economic zone are summarized in the following four points: 1) It is imperative to establish the economic zone in order to speed up the development of the national economy. What kind of roads we need to take should be thoroughly studied and found out in practice. One form is first carrying out unified planning and integration among different trades and industries, such as in the Shanghai Economic zone. Another form is developing natural resources such as in Shanxi Province and the southwest area of our country. Still another form is conducting all-round experiences such as in Chongqing municipality. The forms should be multifarious so that we can gain experiences. We should start both unified planning and integration in the fields which are most urgent, needed and obviously superior in accordance with local characteristics. We should gear our planning to the problems which need to be solved and integrate the trade or industry where the problems are. We should not demand perfection. We should not follow the old paths of the economically coordinated regions which were not successful. However, such work should be limited to the abovementioned areas for the time being.

## Special Authority Cannot Be Given to All

2) The planning of the Shanghai Economic Zone should be conducive to bringing into play Shanghai's advantages in port, foreign trade and importing and utilizing advanced technology. Greater authority should be given to Shanghai in regard to trading with foreign countries, importing technology and supporting exports with imports. By so doing, we can wipe out the barriers between regions and attract the economic units in neighboring areas to integrate with Shanghai so as to enable Shanghai to make great achievements. Such authority cannot be given to other provinces in the economic zone. Otherwise, they will each consider themselves as the center, do things in their own ways and vie with each other in dealing with foreign countries. This is harmful to the development of the economic zone.

## Promote Railway and Highway Transport With Water Transport

3) The Chang Jiang Delta is crisscrossed by rivers and lakes; therefore, we should make a unified plan to give full play to water transport and bring along other sectors. Today's volume of imported goods has largely increased as compared to the past, but our transport capacity is seriously inadequate. We must make a determination to change the irrational distribution system of goods. Imported cotton, grain, timber and ore should be first supplied to coastal areas. The insufficient part will then be supplemented by inland areas.

4) In formulating development plans and making arrangements for production, consideration must be given to restrictive factors -- energy resources and communications. Tapping potential can somewhat alleviate the shortage of energy resources, but cannot solve the problem permanently. Therefore, the shortage

will continue to exist for a long time to come. Over the past 20 years, inappropriately expanding the scale of capital construction, overemphasizing heavy industry, capital construction and production at the sacrifice of light industry, production and maintenance has become a persistent ailment. We should draw a lesson from this; otherwise, we will again lose the excellent situation after the readjustment.

#### The Current Five Tasks

Third, at present, we should emphasize work in five sectors -- energy resources, communications, foreign trade, technical renovations and harnessing the mouth of the Chang Jiang and Huangpu rivers and the Tai Hu lake.

In communications, we should make a big issue of water transport and give full play to the role of water transport. The main work in regard to highways is broadening, maintaining and upgrading. To reduce the pressure on the Shanghai Port, port traffic should be diverted by fully utilizing existing ports like Nantong, Ningbo and Zhenhai under a unified plan and unified transfer and management systems. Auxiliary projects and necessary construction projects need to be carried out in existing ports. The development of new ports should be considered in light of the situation as a whole in the economic region. We should broaden the field of our vision, throw old conventions to the winds and conduct a feasibility study.

In energy resources, we should gain a clear idea of the actual consumption of coal. In addition to the coal distributed under the unified state plan, there is also a large amount of coal produced by coordinated local units. We should also clearly understand where the coal is transported to in order to reduce the pressure caused by transporting the coal produced in the north to the south. The electricity shortage is comparatively serious. It is a factor restricting the development of the economic zone. We should speed up the expansion of several existing old powerplants. The construction of the No. 3 generator set in the area of the Baoshan Iron and Steel Company should be continuously carried out, because it is faster than constructing a new plant.

In foreign investment, the key is to give Shanghai autonomy and carry out special policies. Only by so doing can we really stimulate Shanghai's trade with foreign countries.

Items of technical renovation should be specific, and whether they can reach the international level should be stated on paper.

In harnessing the three rivers, we should speed up the study of such questions as what is the course of the floodwater of the Tai Hu lake, whether the pollution problem of the Huangpu can be solved and whether the situation of navigation on the Chang Jiang can be improved. We should set up a Chang Jiang development and harnessing bureau and water conservancy designing institute, organizing people to conduct prospecting and designing and work out the best plan.

Integration Should Be Carried Out Under a Unified Plan in Units With Favorable Conditions and Among Economic Departments; Systems Should Remain Unchanged Once They Are Established

Fourth, some people advocate that policies should be meted out to promote the integration, systems should be readjusted to suit the integration and laws should be passed to protect the integration. This is very necessary. The experimental work of the integration has already started in selective units of the bicycle industry. Our principle is "internal integration and external expansion." Internal integration mainly means integrating the 10 municipalities in the Shanghai Economic Zone. Multifarious forms of integration should also be carried out with other areas. External expansion means using the advantages of the economic zone to push our way out onto foreign markets. The State Council has pointed out the need to adopt a unified plan, develop units with favorable conditions, conduct economic integration and keep systems from being changed once they are established. The economic zone should implement the principle of sharing benefits, honor and disgrace, adopt open-door policy and provide equal opportunity. Shanghai's industry should be developed into an advanced, high-quality and precision industry. Some industrial enterprises need to be extended and their employees need to move. In this case, dual domiciles can be used. One is the registration of the employees' original residence. The other one is the employees' registration with the economic zone as a mass household. The employees' pay should remain unchanged or be a little higher after they move. Shanghai should become a transfer station for introducing and utilizing scientific and technological information. This is Shanghai's unshirkable responsibility. Shanghai should also become a foreign trade center, a banking center and an information center, using advanced communications media to establish international contacts. In order to promote the internal integration, new measures conducive to the integration must be adopted in regard to loans, profit distribution, taxes and other concrete issues. We should see to it that the state has benefits, enterprises have enthusiasm and the staff and workers have small gains.

Wang Lin said: Economic construction also need the spirit of reforms. We should give full play to the strategic role of the economic zone centering on Shanghai, fully utilize the favorable conditions of Shanghai Port to open up a new situation of foreign trade and take full advantage of the innate superiority of the economic zone in regard to introducing, utilizing and publicizing new technology. The objectives of the planning are: 1) fully utilizing the favorable conditions of the economic zone to achieve best economic results through internal integration and external expansion; and 2) breaking old frames and eliminating various irrational obstacles to find a new path of the reform of economic systems, like what Premier Zhao Ziyang has said: When working on such economic planning, we should not proceed from the viewpoint of localities nor from the viewpoint of departments. We should proceed from the viewpoint of the whole country in order to promote the close integration between the all-round economic development of the economic zone and the whole country.

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CSO: 4006/482

## AGGREGATE ECONOMIC DATA

### NATIONAL, PROVINCIAL-LEVEL AGGREGATES

[The following selected national and provincial-level aggregate economic data have been extracted from various sources as indicated. In the table below, dates in the first column indicate periods compared, the gross value of industrial output is abbreviated as GVIO, heavy industry as HI, light industry as LI, textile industry as TI, gross value of agricultural output as GVAO, and gross value of agricultural and industrial output as GVAIO.]

#### NATIONAL AGGREGATES

<u>Date of period of comparison</u>	<u>Increase in percent</u>	<u>Value, in yuan</u>	<u>Percentage of annual plan</u>	<u>Source</u>
1983: 1982 Jan-Mar	GVIO: 6.9	138.3 b		1
1983: 1982 Jan-Mar	LI: 2.5	68.9 b		1
1983: 1982 Jan-Mar	HI: 11.7	69.3 b		1
1983: 1982 Jan-Mar	Coal: 5.6	160.3 m metric tons		1
1983: 1982 Jan-Mar	Crude oil: 2.1			1
1983: 1982 Jan-Mar	Natural gas: 1.9			i
1983: 1982 Jan-Mar	Electricity: 6.4			1

# PROVINCIAL-LEVEL AGGREGATES

<u>Date of period of comparison</u>	<u>Increase in percent</u>	<u>Value, in yuan</u>	<u>Percentage of annual plan</u>	<u>Source</u>
<u>Guangdong</u>				
1983: 1982 Jan-Mar	GVIO: 5.6	17.1 b		2
1983: 1982 Jan-Mar	Coal: 5.5			2
1983: 1982 Jan-Mar	Crude oil: 5.9			2
<u>Shaanxi</u>				
1983: 1982 Jan-Mar	GVIO: 12.7		24.1	3
<u>Shandong</u>				
1983: 1982 Jan-Mar	GVIO: 7.9			4
<u>Shanghai</u>				
1983: 1982 Jan-Mar	GVIO: 4.3			5
1983: 1982 Jan-Mar	HI: 8.0			5
<u>Shanxi</u>				
1983: 1982 Jan-Mar	GVIO: 9.6	3.34 b		6
1982: 1979	GVIO: 4.5 (avg.)			7
1982: 1979	LI: 32.2			7
1982: 1979	GVAO: 19.4			7
1982: 1979	Grain: 3.0 (avg.)			7
<u>Xinjiang</u>				
1983: 1982 Jan-Mar	GVIO: 15.13	1.11 b	23.64	8
1983: 1982 Jan-Mar	LI: 15.85			8
1983: 1982 Jan-Mar	HI: 14.38			8
1982: 1981	GVAIO: 13.75	2.0 b		9
1982: 1981	GVIO: 15.77	995 m		9
1982: 1981	GVAO: 11.81			9

<u>Date of period of comparison</u>	<u>Increase in percent</u>	<u>Value, in yuan</u>	<u>Percentage of annual plan</u>	<u>Source</u>
<u>Xizang</u>				
1983: 1982 Jan-Mar	GVI0: 2.9			10
<u>Zhejiang</u>				
1983: 1982 Jan-Mar	GVI0: 7.8		23.2	11
1982: 1981	GVI0: 8.0	23.06 b		12
1982: 1981	LI: 5.7	14.73 b		12
1982: 1981	HI: 12.2	8.33 b		12
1982: 1981	GVA0:	13.76 b	115.5	12
1982: 1981	Grain: 20.6			12
1982: 1981	Cotton: 43.3			12

Source

1. Hong Kong CHINA ECONOMIC NEWS in English 9 May 83 pp 3-4
2. Guangzhou NANFANG RIBAO in Chinese 18 Apr 83 p 1
3. Xian Shaanxi Provincial Service in Chinese 0500 GMT 7 Apr 83
4. Jinan DAZHONG RIBAO in Chinese 8 Apr 83 p 1
5. Beijing XINHUA in English 0828 GMT 6 Apr 83
6. Taiyuan SHANXI RIBAO in Chinese 15 Apr 83 p 1
7. Taiyuan SHANXI RIBAO in Chinese 24 Apr 83 p 1
8. Urumqi Xinjiang Regional Service in Chinese 1300 GMT 6 Apr 83
9. Urumqi Xinjiang Regional Service in Chinese 1300 GMT 15 Feb 83
10. Lhasa Xizang Regional Service in Chinese 1130 GMT 12 Apr 83
11. Hangzhou ZHEJIANG RIBAO in Chinese 7 Apr 83 p 1
12. Hangzhou ZHEJIANG RIBAO in Chinese 5 May 83 p 2

CSO: 4006/529

## AGGREGATE ECONOMIC DATA

### YANG XIZONG GIVES SICHUAN GOVERNMENT WORK REPORT

HK231101 Chengdu SICHUAN RIBAO in Chinese 1 May 83 pp 1-3

[Speech by Yang Xizong [2799 2649 4844], acting governor of Sichuan Province: "Government Work Report--Delivered at the First Session of the Sixth Sichuan Provincial People's Congress on 19 April 1983"]

[Text] Representatives!

In my capacity as head of the Sichuan Provincial Government, I hereby present to the first session of the Sixth Sichuan Provincial People's Congress the government work report for your consideration and discussion.

#### A Review of the Last 5 Years of Work

The first session of the Fifth Sichuan Provincial People's Congress was opened in December 1977 and, as stipulated in the constitution, that term of the provincial people's government is now ended. In the last 5 years, and especially since the 3d Plenary Session of the 11th CPC National Congress, the provincial government has, under the guidance of the party Central Committee, the State Council and the Sichuan CPC Provincial Committee, implemented the decisions of the provincial people's congress and has mobilized and organized the peoples of every nationality throughout the province, people from every walk of life and cadres of every rank, to steadfastly carry out the principles, directives and policies of the party Central Committee, to maintain and uphold the four fundamental principles and constantly eradicate the influences of "leftist" tendencies in every sphere. Furthermore, the provincial government has urged everyone to carry out an all-encompassing restoration of order out of chaos in terms of guiding ideology, handling various problems left over from the past, and implementing correct policies in every sphere of life, thereby achieving stability and unity fairly quickly. There has been steadfastness in moves to redirect our work emphasis onto economic construction, implementing the principles of readjustment, reform, reorganization and upgrading throughout the national economy, while there has been solid work on the emancipation of ideology, relaxing policies, restructuring systems and invigorating the economy. In addition, there has been intensification in the work of constructing a spiritual civilization with communist ideology as its nucleus and indeed, profound changes have taken place in every aspect of life. The proportional

relations between agriculture, light industry and heavy industry and between accumulation and consumption have been, and are continuing gradually, to be coordinated. Production in agriculture and industry has continued to rise and both urban and rural markets have prospered. There have been gradual improvements in the people's living standards, and economic work in general is moving along a path of stable and healthy development. In 1982, the total industrial and agricultural production value for Sichuan Province was 53.46 billion yuan, a 58.2 percent increase over 1977 and illustrating an annual increase of 9.6 percent. There have also been evident improvements in social order, stability and atmosphere. The masses have showed courage and energy and a general contentedness. This period of time has been without doubt, one of the best since the establishment of the People's Republic of China.

#### 1. The Rural Areas Have Experienced Enormous Changes and Have Taken on an Unprecedented New Aspect

After the smashing of the "gang of four," the masses' enthusiasm for socialist construction, which had been quashed, was once again able to express itself, and agricultural production was restored and continued to develop. After the 3d Plenary Session of the 11th CPC National Congress, a series of important targets were steadfastly implemented by the central authorities regarding the development of agriculture. Central to these was first, reliance on policies and second, reliance on science with respect given to the independent rights of the production team and commune members. There was restoration and expansion of the concept of private plots of land, private mountainous areas, household by-product industries and country fair trade. Reductions were made to state grain purchase quotas for the poor and those in mountainous regions and regions inhabited by national minorities, while the purchasing prices of agricultural by-products were increased so that the peasants might relax somewhat and build up their strength, and in general, the enthusiasm of some 80 million-odd peasants for developing production was stimulated. What had especially far-reaching effects was the general implementation of the many different styles of production responsibility system, with household contracts being central to the system. The result was that the natural advantages of the collective and the enthusiasm of the individual both attained simultaneous expression. As the contract responsibility system spread and varied management developed, more and more specialized households emerged, which was ideal for the successive appearance of the many kinds of economic integration that specialization and socialization demands. At the same time, there has been an enormous surge in peasants studying and learning how to use science, in the use of land according to local conditions, aiming for the good and avoiding the bad, exploitation of natural advantages, reforms in planting systems, improved plant varieties and handling methods, and so on. The rural areas have begun to change from self-sufficient and semi-self-sufficient economies toward commodity production, and from traditional agriculture to modernized agriculture. Throughout agriculture there has been an overall tendency toward prosperity. In 1982, total agricultural production value for the entire province stood at 23.32 billion yuan, a 10.3 percent increase over 1981 and a 52.5 percent increase over 1977. Total grain output stood at

74.69 billion jin, an increase of 5.38 billion jin over 1981 and an increase of 16.23 billion jin over 1977. Output of rapeseed, tobacco, tea, silkworms and other important economic crops has exceeded all previous records. The output of pork stood at 3.8 billion jin, double the figure for 1977. Within total agricultural output value, the proportion that the production value of forestry, animal husbandry, sideline products and the fishery industry make up of this total has increased from 25.3 percent to 34.9 percent. Production value for commune enterprises stood at 3.96 billion yuan in 1982, 2.6 times the figure for 1977.

## 2. Industry Is Developing Stably Through Readjustment and Reform, and Is Starting To Emphasize Increasing Economic Results

From 1980, when the eight word principle with readjustment as the key was implemented, the development of the light and textile industries has been tackled without respite, and while great support was given to collectively owned industries in the urban areas, the six priorities were implemented, actively organizing the production of those consumer products classed as daily necessities. There have been improvements in product quality and increases in variety. In 1982 the total production value of light and textile industries stood at 41.97 billion yuan, an increase of 39.7 percent over 1979, and illustrating an annual average increase of 11.8 percent. The proportion that the production value of light and textile industries represents in total industry rose from 41.5 percent in 1979 to 49.7 percent. Heavy industry has steadfastly carried out service readjustments, expanding its spheres of service, changing product make-up, and constantly raising capacity, while laying stress on giving full expression to the production capacity of the national defense industry and the superiority of technological strength, and thus production has picked up again greatly. In 1982, the production value of heavy industry stood at 15.17 billion yuan, thereby exceeding levels prior to readjustment. Through readjustment, some enterprises which produced unmarketable goods, or whose goods were of low quality but highly priced or which were seriously corrupt, were either liquidated or had production redirected. Steps to carry out reorganization and integration were increased while restrictions between regions, industries, and ownership were broken down and a batch of economically integrated bodies and companies of an enterprise-type nature were established. The scale of capital construction was restricted while the direction of investment was readjusted.

Beginning in October 1978, exploration was carried out into reforms of the economic management system, starting with the expansion of enterprises, individual powers and rights. Central to this was mobilization of the enthusiasm of both the enterprises and the workers, and readjustment of the relations of benefit between the state, the collective and the workers. At the same time, experimental reforms were carried out on various systems such as planning, finance, taxation, the banks, goods and materials and workers' wages. In the 4 years since then, such pilot schemes have been constantly increasing, work methods have been constantly improving, and reforms have become more and more far-reaching and profound with the result that there has been an integration between duties, rights and benefits and the force,

power and potential of enterprises has increased. This has brought with it improvements in management standards and the leadership system in enterprise, while democratic management has been spurred on and integration and reorganization given a boost. All this has provided initial experience for future, all-round, systematic reforms.

With the focus on improving economic results, there have been overall readjustments carried out in enterprises. The first batch of reorganized enterprises comprised regional and state-run industrial and building enterprises and numbered 482. Of those enterprises where reorganization was carried out fairly successfully, where the leadership groups came up to the demands of youthfulness, knowledge and so on, and where systems of economic responsibility were implemented, ideological and political work stepped up and labor organization reformed, there were evident increases in important targets relating to economic results.

As a result of readjustment, reform and reorganization, industrial production throughout the province has developed very quickly. In 1982 the total industrial production value for Sichuan Province stood at 30.14 billion yuan, a 9.5 percent increase over 1981 and a 61.8 percent increase over 1977. In addition there has been the gratifying emergence of a higher rate of increase in enterprise sales revenue than the rate of increase of total industrial production value. The labor production rate of workers in state-run industries and enterprises throughout the province has increased by 38.5 percent over 1977. In the last few years 62 commodities have won state gold and silver awards for quality and 964 commodities have been named quality products by relevant departments of the State Council and the province. The post office and communications departments have fulfilled their tasks of transportation, shipping and communications very well and have provided effective support for industrial and agricultural production.

### 3. Commodity Circulation Has Constantly Expanded and the Financial Situation Has Taken a Turn for the Better

In the last few years the principle of the planned economy being central and market adjustments and regulations being supplementary has been upheld and the simultaneous existence of various economic styles, management styles, and channels of circulation has been introduced, along with a circulation system with fewer links in it, gradually readjusting the structure of commerce. The guiding and leading position of state-run commerce has been maintained while effective policies have been adopted to develop collective economies and suitable individual economies with the result that both collective and individual economies have developed quickly. In 1982 collective and individual commerce and the food and catering industries represented 28.7 percent and 1.7 percent respectively of social commodities retail figures as compared with 11.3 percent and 0.2 percent in 1978. At the same time three grades of wholesale department and large-scale retail enterprise have been permitted to stock directly from factories and wholesale enterprises outside the province, while industrial enterprises sell their products themselves within the limits of state plans. There has been a gradual reduction in the sphere of management for agricultural by-products

of grades one and two while there have been expansions in that of grade three products. Peasants have been allowed to deal with any surplus products which remain after state purchasing as they wish. In accordance with the principles of commodity division of labor and the opening up of urban and rural areas, there has been an increase in the provision of industrial products to the rural areas. These sorts of changes are the first step in breaking down a circulation system which became blocked, had few potential channels and too many intermediary links in it, and the changes have been very effective in expanding commodity buying and selling and in enlivening circulation.

Starting in 1979, the commercial sector began running pilot schemes involving the expansion of management and administration freedom in enterprise, thereby mobilizing the managerial initiative of both the enterprises and the workers. In 1980, pilot schemes were started to reform the system of supply and marketing cooperatives in Dazhu Prefecture and this meant a restoration of cooperative commerce and an increase in the mass nature of organization as well as democratization of management and the injection of life into administration. This has been of enormous significance in guiding and promoting production and in enlivening circulation.

These readjustments and reforms in commerce have motivated commodity circulation in the urban and rural areas and there have been all-round increases in state-run commercial buying and selling. In 1982, total retail figures for social commodities stood at 17.54 billion yuan, an increase of 6 percent over 1981 and an increase of 38.7 percent over 1979. The volume of business in country fair trade equalled 19.6 percent of the total retail figure for social commodities, an increase of 126.9 percent over 1977. There has been a blossoming of town and country markets, the likes of which has not been seen in 20-odd years. There has been development in foreign trade and there has been gradual development in direct export deals with foreign countries and in export based on labor and technological cooperation. In 1982 export sales were valued at a total of 1.1 billion yuan, between two and three times the figures for 1977.

There have been initial reforms in the financial system and pilot schemes under the name of "differentiating revenue and expenditure and graded contracts" have been carried out with the result that every region may enjoy specific freedoms and rights in organizing economic and social development while at the same time the unified state plans are upheld and respected. These schemes have been fairly successful, financial management and administration has been strengthened and there has been an emphasis on making, accumulating and using finances. Production development has been stepped up and circulation expanded and now the financial situation is beginning to take a turn for the better. In 1982 financial revenue stood at 3.55 billion yuan, a 12.7 percent increase over the previous year. Financial expenditure for 1982 stood at 3.19 billion yuan, 85.9 percent of postreadjustment estimates, thus altering the past tendency for financial revenue to drop and for expenditure to be greater than revenue, and indeed the outcome has been that in 1982 a balance was achieved between revenue and expenditure and in fact there was even a slight surplus. This is an overall reflection of the stable and healthy development of the economy.

#### 4. Gradual Increases in the People's Income in Both Urban and Rural Areas and Clear Improvements in People's Living Standards

As production has developed and the various economic policies have been implemented in the rural areas, the peasants have gained even more material benefits. In 1982 rural commune members received an average of 600 jin of grain, an increase of 165 jin of grain over 1977. Revenue distribution in 1982 amounted to 110.7 yuan, an increase of 47.6 yuan. On the basis of sample investigations, in 1982 commune members' average net income based on production stood at 233.7 yuan (including income from the collective and income from household management). This figure is almost double the figure for 1977. Workers' incomes have increased in general and since 1978 wages have been increased three times amongst various workers thereby readjusting wage differentials, while at the same time price subsidies on nonstaple foodstuffs have been increased and the bonus system has been restored. Thus in 1982 the total wages for workers in the system of public ownership throughout the entire province showed an increase of 65.5 percent over the same total for 1977 and average wages increased by 10.7 percent. Thus, after deducting price factors, there has been a real increase of 17.3 percent. According to sample investigations, in 1982 the average worker household had a per capita cash income of 484.2 yuan and, after deducting price factors, this shows a 5.3 percent increase over the previous year. In the last 5 years many different methods have been adopted to place 2.02 million people in positions of employment in the urban areas. The number of mouths for each worker to feed in the urban areas (including the worker himself or herself) has fallen from 2.13 in 1977 to 1.89 in 1982. Some 24,748,000 square meters of accommodation in urban areas has been completed and there have been considerable improvements in workers' and residents' accommodation conditions. The end of the year balance of the population's savings deposits in both urban and rural areas has increased by 3.2 times over 1977.

#### 5. New Developments in the Teaching of Science and the Harnessing of the Natural Rate of Increase in the Population

In the last few years the implementation of the policies concerning intellectuals has involved a great deal of work and has solved a whole series of very real problems while at the same time mobilizing the broad mass of intellectuals' enthusiasm to contribute to the four modernizations program. There have been readjustments and improvements in the work of science and technology, with emphasis on the necessary use of research and developmental research, and great efforts have been made in such areas as agriculture, light and textile industries, energy, and new types of raw materials, in terms of both development and economizing, all of which work has been carried out very scientifically and has speeded up the implementation of certain necessary steps. Throughout the province there have been some 3,121 important items of scientific and technological research which have been successfully concluded, and a significant proportion have already been incorporated into production.

Education policies have been implemented steadfastly, educational rules and regulations have been readjusted and the teaching body itself has been strengthened while there have been significant changes in school spirit and behavior through the general implementation of communist ideological education for students and pupils. There has been a gradual move toward rationalization in terms of the scale and general overall arrangement of primary and secondary schools and in tertiary education there has been an increase in numbers of students of 78.5 percent over 1977. There has been restoration and development in kindergarten education, secondary specialized education, vocational education, agricultural education, education by television and correspondence courses. The quality of teaching has also improved considerably. Because of the financial difficulties experienced over the last few years, educational costs have increased gradually year by year, from 16 percent of total financial expenditures in 1977 to 23.6 percent in 1982.

Educational activities linked with the popularization of family planning has been extensive and far-reaching and family planning policies have been strictly enforced, with great emphasis on the necessity for every couple to have only one child. After the implementation of the production responsibility system in the rural areas, family planning work came up against new problems and new situations and thus the family planning responsibility system was set up along with the birth control responsibility system and other, similar administrative systems. The natural rate of increase of the population in the entire province over the last 5 years has been kept below 11 per thousand and in 1982 alone it was 8.96 per thousand.

There has been further development in the arts, hygiene education, the press, radio and television, and the like, and all of these have played important and positive roles in propagating the party line, principles and policies, in implementing communist ideological education for the masses and organizing and developing activities related to the "five stresses and the four points of beauty," as well as popularizing scientific knowledge and enriching the cultural lives of the people, ensuring their health, and improving their general and overall character.

#### 6. Developments in Socialist Democracy and a Strengthening of the Construction of the Socialist Legal System

As the state's political system, the leadership system and the economic management systems are all reformed, socialist democracy has been revived and developed. A great deal of work has been carried out in terms of democratic organization of every work unit and every enterprise, and autonomy or independence of the masses at grassroots level. At the same time propaganda education concerning the new constitution has been carried out widely along with teaching of the new legal system, while many new laws and regional regulations have been steadfastly implemented such as "the criminal law," "criminal law suits," "civil law suits (pilot scheme)," and "marriage law." Furthermore, some new regulations and clauses have been drawn up on the basis of existing state laws and administrative regulations which have begun to emphasize the use of legal measures in economic management and

administration. Public security and the judicature have been improved and strengthened and forces throughout society have been organized to get to grips with the overall handling of social security and stability, while there have also been great efforts made in relief work with the overall result that social, production, educational and scientific order has been effectively maintained.

The implementation of the open-door policy with foreign countries together with the simultaneous enlivening of the domestic economy has given rise to serious efforts to wipe out illegal activities within the economic sphere. Throughout the province around 21,800 cases have come to light and of these around 14,500 cases have already been dealt with, totaling 66.4 percent of all cases. In fighting back against counterrevolutionary and criminal elements there have been clear decreases in the number of cases to come before the law and this provides guarantees for the construction of a socialist spiritual and material civilization.

#### 7. Economies of National Minorities Continue To Develop and Unity Between Nationalities Continues To Strengthen

Throughout the province there has been frequent teaching and explanation concerning the nationalities policy, and in the autonomous prefectures of Ganzi, Aba and Liangshan as well as national minority autonomous regions, policies of national minority autonomy have been implemented. This has ensured autonomous rule for regions inhabited by national minorities and has also ensured that national minorities living either independently or with other national minorities and Han Chinese may enjoy equal political, economic and cultural rights. There have been great efforts to train cadres from national minority groups and today the leadership groups at both prefecture and county level are made up of more than 70 percent national minorities.

In order to develop the economy and culture of national minority regions many areas in Ganzi, Aba and Liangshan Autonomous Prefectures are implementing agriculture policies which emphasize animal husbandry and forestry while at the same time developing production in all aspects of agriculture, including the above two and others such as fishing, agricultural by-products and so on. There have been reductions in the quantity of grain to be sold to the state and agricultural and animal husbandry taxes have been reduced or annulled, while financial subsidies have been increased. The system of ownership of forestry rights and the forestry production responsibility system are both being steadfastly implemented, thereby protecting forestry resources. Many kinds of animal husbandry production responsibility systems have been popularized and there have been active moves to test-run integrated enterprises comprising animal husbandry, industry and commerce. In addition mutual support between Chongqing, Chengdu, Zixian Dukou and the three prefectures has been consolidated and developed. In 1982 the total agricultural and industrial production value of the three prefectures stood at 1.8 billion yuan, a 54.2 percent increase over 1977. Average per capita distribution of income stood at 112.6 yuan, an increase of 54.7 percent. More than 70 percent of all communes now have road links. There has also

been considerable development in national minority education work, science and technology, hygiene, culture, sports, and so on, and policies supporting the freedom of religious beliefs have seen continued implementation. Religious patriotic organizations have been revived and correct and orderly religious activities are protected by law.

#### Representatives!

In the last 5 years every front line in our province has witnessed great victories and they were won by respecting and following the party line as outlined in the 3d Plenary Session of the 11th CPC Central Committee, relying on the masses, relying on the PLA stationed in Sichuan and by having beaten two successive years of serious flooding and having overcome all sorts of problems and difficulties. However, there are still many shortcomings and deficiencies in our work. One such shortcoming is related to the reform of the management and administrative system, which began very promptly but has not seen sufficiently quick popularization of the positive experiences that were gained. Another shortcoming is that there is still too much capital construction and predictions about the growth in foreign investment capital are exaggerated. In addition there is still not adequate control over repeated construction and blind, unplanned production. A third problem is the shortcomings in economic results. Energy and raw material consumption is high, the accumulation rate low, selection amongst some everyday commodities is dull and monotonous and quality is poor while prices are high and some commodities are not suited to market demands. A fourth problem is the recent prominence of contradictions between the supply and demand of nonstaple foodstuffs in medium- and large-sized towns and cities and industrial and mining areas, including such products as eggs, fruit, milk, fish and poultry. State planned supplies are low and prices at markets are inflated. A fifth problem is the denudation of forests and woods, the under-tilling of land, and the population increase. This problem is especially serious in rural villages. The above problems are mainly connected with problems of leadership within the provincial people's government where ideology is not sufficiently emancipated and where some are still fettered by the old framework. In some cases work style is not intense or thorough enough and many situations are not sufficiently understood before being dealt with. Moreover there is some lack of decisiveness and a lack of effective methods for solving various problems. As from this moment we must work hard to overcome and solve these problems in our work.

Representatives! The overall tasks drawn up at the 12th CPC Congress by the CPC for this new historic period in time, the Sixth Five-Year Plan ratified at the Fifth Session of the Fifth NPC, and Premier Zhao Ziyang's "Report on the Sixth Five-Year Plan" together represent the first blueprint for the realization of the strategic targets for the next 20 years and are the active program for socialist economic construction in China today. The Fourth Sichuan Provincial CPC Congress outlined that by the end of this century we must ensure that agricultural and industrial production value is quadrupled or even more than quadrupled on the premise that economic results continue to improve. Thus production value must rise from 47.5 billion yuan in 1980 to 190 billion yuan in the year 2000. By that time we will have

constructed a Sichuan which will be politically stable, economically prosperous, scientifically and culturally advanced and populated by people living and working in contentedness with lofty ideals and spirits. We must get to grips with the spirit of "maintaining reform and tackling the economy" to ensure that reforms are carried out throughout the entire process of modernization. We must base ourselves in reality and carry out all-round and systematic reforms, steadfast and regulated reforms, and organized and progressive reforms, and work hard to complete the economic and social developmental tasks of the last 3 years of the Sixth Five-Year Plan, striving so that within the next 5 years we may achieve a fundamental turn for the better in the economic and financial situation and a fundamental turn for the better in the social mood and the party mood as we struggle toward new victories in our province's socialist modernization program.

#### The Fundamental Tasks and Major Measures in the Sixth Five-Year Plan

We have drawn up the draft for the province's Sixth Five-Year Plan for economic and social development by respecting the great programs outlined in the 11th party congress and respecting the spirit of the Fifth Session of the Fifth NPC and the demands of the Sixth Five-Year Plan, and based on the decisions reached at the Fourth Sichuan Provincial Party Congress. This draft for the Sixth Five-Year Plan, along with the draft for the 1983 plan, has already been sent to every representative for consideration and comment. Below I shall outline the basic tasks of the Sixth Five-Year Plan and the major measures to be implemented in order to realize the plan.

The basic tasks of the province's Sixth Five-Year Plan are to continue to implement policies of reform, readjustment, reorganization and upgrading, to continue to solve those problems blocking economic development, to ensure that all economic work is aimed at improving economic results, to achieve decisive victories in regard to achieving a fundamental turn for the better in the financial and economic situation, to continue to strengthen the construction of socialist spiritual civilization and to establish even better conditions for economic and social development during the Seventh Five-Year Plan. The main, detailed points are as follows:

1. On the premise of constantly improving economic results, it is planned that industrial and agricultural production value should increase annually by 5.2 percent.
2. Continue to strengthen agriculture by relying on government policies and science and technology. Total grain output should maintain an annual increase of between 2 to 3 billion jin. Diversified management should be actively developed and rural average per capita income should increase annually by between 20 and 30 yuan.
3. Starting with existing enterprises, there should be a speeding up of technological reform with great efforts made to save energy and raw materials and improve the competitiveness of products. The principle of the "six priorities" should continue to be implemented and there should be active

development of industries producing day-to-day consumer products. The advantages of heavy industry should be given full expression while at the same time both light and heavy industry should be developed in harmony. Annual average increases in heavy industry should be maintained at 5 percent and efforts should be made to achieve an average increase of 6 percent per year.

4. State-organized provincial programs must be tackled and this includes the construction work and preconstruction work on 44 large- and medium-scale projects related to energy, communications and basic raw materials.

5. Teaching of science and technology must continue to be developed and expanded. Enthusiasm must be activated in all educational institutions and great efforts must be made to increase our mental resources. A total of 73 major scientific research programs should be tackled and scientific and technological results should be popularized for use.

6. Family planning work must be stepped up so that the natural rate of increase in the population may be kept below 11 per thousand.

7. Labor employment in the urban areas must be satisfactorily organized so that the people's material and cultural lives may gradually improve.

In order to realize our province's Sixth Five-Year Plan, all proportional relations within the national economy must continue to be balanced and coordinated. Production and technological standards will improve, as will economic results. Finances used for economic and cultural construction and for improving the people's livelihood will increase year by year. Incomes in both urban and rural areas will increase while the majority of young people in towns and cities awaiting employment will be allocated jobs. Urban and rural market products will continue to develop and there will be visible improvements in the supply of milk, poultry, eggs, vegetables and fish to large- and medium-sized towns and cities and industrial and mining areas.

In order to complete the province's Sixth Five-Year Plan we must steadfastly adhere to the party's principles and deployment in terms of ideological guidance. There must be leadership in carrying out all-round reform and this reform must be integrated with readjustment and reorganization. Improving economic results must be given priority and we must overcome tendencies to strive one-sidedly for production value or production output. We must ensure that speed and results are unified. We must strictly control the overall scale of investments in fixed assets. We must expand and invigorate technological reforms. We must make great efforts to develop collective enterprises in towns and cities and we must strive to increase production of marketable light industrial and textile-related products, while we continue to further invigorate circulation and make the market prosper.

1. Continue To Get to Grips With Reforms in Rural Economic Systems and Welcome the Still Quicker Advent of Well Developed Agriculture

Agriculture represents the foundation of China's national economy and an important strategic focal point for the overall development of a new phase in socialist modernization. It is of course extremely important for our province that we get fully to grips with this focal point and ensure that firm foundations are established. We must steadfastly implement the content of the party Central Committee's "Some Questions Concerning Present Rural Economic Policies." We must speed up the reform of rural economic systems and every form of business and industry must continue to provide support for agriculture, continuing to further develop the new phase that has already appeared in agriculture, so that the socialist cause in agriculture may continue to develop and prosper.

The three prefectures of Guanghan, Xindou and Qiongxia in which pilot schemes testing composite rural reform are being carried out, are all implementing systems where there is clear division of work between administration, party and enterprise and in which duties, rights and interests are all closely integrated. Here, too, there is composite administration and management of agriculture, industry and commerce with specialization and socialization of some links in the production chain and some technological services, all depending on and in line with the local conditions, the people's desires and the developmental state of the rural economy. All of this has proven successful and should be continued and developed. At the same time it is necessary that we publicize these experiences throughout the province, getting fully to grips with reform of the structure of the rural economy, reform of the system in general and technological reforms so that the productive forces may develop.

An important task in present rural work is the stabilization and perfection of the agricultural production responsibility system and work must be continued in this area. As from today both the development of grain production and the development of diversified management systems must be carried out with unity between the state, the collective and the individual, with household management as central. The various contract responsibility systems with the household or family taking on contracts will remain for a long time to come and indeed land contract leases will be extended as necessary. Enterprises run by commune work groups, agriculturally, industrially and commercially integrated enterprises and state farms will all also implement management contract responsibility systems. The contract system is very well equipped to handle the relations between unity and diversification and thus it ensures that unified management and diversified management are integrated even more successfully than before. At the same time the set-up also permits the natural advantages of the collective and the enthusiasm of the individual to gain equal expression. Programs which center on unified management by the work brigade should make sure that they draw from the advantages evident in individual household contract systems and thus such programs could include such measures as "specialized contracts and distribution of contract work." Work brigades which center on separate household management should organize unified handling of those affairs which the

commune members demand be handled in a unified way, doing so in line with the demands of production development and in accordance with the principles of mutual interest. Thus for example machine tilling, irrigation, crop protection, epidemic protection, crop breeding and so on should all be under unified management, with only contracts not included in this system. A healthy written contract system should be set up which correctly handles the relations between state, collective and individual, integrating state purchasing of agricultural products with state provision of the means of production and the means of subsistence for the peasants. At the same time emphasis should be put on improving financial administration and reducing the load carried by the masses.

As the various contract responsibility systems which center around household contracts improve and are perfected and rural commodity production develops there is a need to strengthen basic construction of rural commodity production with great efforts made to support the wide variety and many kinds of specialized households and protect their legal interests. At present it is especially important to provide support to households specializing in breeding, encouraging the peasant households to set up small gardens and breeding pens. By means of developing "the two kinds of household" we may affect many hundreds and thousands of households. We should help those households in difficulties to develop production, striving hard toward richness and traveling on the common road to prosperity. In addition it is important that we encourage many different kinds of economic integration and we should also develop such services as supply and marketing, processing, storage, transportation, technology and information, gradually moving toward production specialization, service socialization and management "enterprisation."

Through rational utilization of natural resources and a preservation of the balance of nature and the ecological system, the structure of the agricultural economy must be reformed. The movement in rural areas in our province from poverty to prosperity must continue to uphold the principle of "steadfastly keeping a grip on grain production and actively developing diversified management," successfully handling the relations between grain production and diversified management, and ensuring that all areas of agriculture, such as forestry, animal husbandry, fishing and so on develop together with composite management and administration of agriculture, industry and commerce. Grain production must be tackled thoroughly at all times and it is vital that there be no letting up on this, for otherwise the results will adversely affect the development of the entire economy and overall stability. For this reason it is vital that present land devoted to grain crops is not reduced anymore while only suitable crops are planted in any one area thereby ensuring a variety of grain crops and an improvement in unit yield. In this way overall grain crop output will rise steadily so that we may achieve self-sufficiency in grain crops with even more surplus, while our stocks also gradually increase. Rational planting of various crops must be organized including such crops as cotton, rapeseed, sugarcane, hemp, vegetables and various other economic crops. Areas of land not suited to crop growing should gradually be taken over for afforestation and animal husbandry. On the one hand we must tackle 100 million mu of intensive

farming and on the other hand we must also get to grips with developing over 500 million mu of grassland, forests, barren slopes and mountains for suitable usage. The first step should be to develop diversified management, diverting the mass of the labor force into forestry, animal breeding, processing industries, handicraft industries, transportation, the construction industry, commerce and the service industries, working to ensure that each person expresses his or her talents, and that the maximum possible is gained from the land and that crops provide the most they can. In this way the structure of rural production and the structure of the labor force will move toward gradual rationalization and rural commodity production will develop. Production in mountainous area should continue to uphold the principles of concentrating on forestry and developing agriculture and animal husbandry simultaneously, maintaining diversified management and composite development. In this way the economy of mountainous regions will quickly develop.

Technological transformations must continue to be implemented in agriculture, improving agricultural production conditions and permitting scientific tilling of the land. Those aspects of traditional farming such as intensive farming, low consumption and rational land usage should be integrated while at the same time maintaining the balance of nature. It is also important that modernized technology and advanced management methods be adopted in every aspect of agricultural production and construction. The principle of the people running things and the state subsidizing should be upheld and adhered to, while state investments in agriculture should gradually be increased. At the same time individual peasants and partnerships should be encouraged to raise money to invest in labor, while planned construction work is carried out in planting the land, irrigation, forestry, grasslands, small hydropower stations, methane production, rural communications and telecommunications, ensuring that water and soil conservation is carried out successfully. By organizing and bringing together agricultural research, the propagation of technology and improved education, it will be possible to create rational division of labor, and coordination and harmony between agricultural education, scientific research and propagation work, to successfully serve the peasants. Exemplary scientific and technological households should be selected, technological service companies set up and production technology integrated bodies established so that through the technological contract system agricultural technological know-how may be popularized. It is important to give full expression to the many artisans and specialists in rural areas as well as production experts, young intellectuals and ex-servicemen. Those who study and develop their talents and those who have achieved success in their work may be appraised and awarded the title technician.

In our work of revitalizing the rural economy we must remain alert and vigilant to those destructive factors which have emerged in some areas. All measures should be adopted in legal form and terms of policy to wipe out indiscriminate denudation of forests and excessive planting of the land. In addition we must strictly control any transgression of family planning policies thus eradicating these three major threats to the rural situation.

## 2. Speed up Steps To Transform Delivery of Profits From State-Run Enterprises Into Taxes and Improve Distribution Relations Between the State and Enterprises

The implementation of a system transforming delivery of profits of state-run enterprises into taxes has proved far superior to any other improvement methods tried. It permits state financial revenue to increase stably as well as mobilizing the enthusiasm of enterprises and workers to enliven the economy and improve economic results and thus it represents the general direction of reform of the system of economic management. Every region and every department must adopt a firm attitude toward this significant mode of reform and implementation must be effective and fast. According to stipulations there must be full implementation by 1 June this year.

In overall terms the principle of transforming delivery of profits into taxes should embrace two main facets, one being the enlivening of enterprises under the guidance of unified state planning and the second being the correct handling of the interests of the state, the enterprise, and the worker, ensuring that with each year of increased enterprise income the state receives the largest proportion, the enterprise the middle portion and the worker the smallest portion.

From a realistic starting point there must be distinctions made between large and medium-scale enterprises which represent the backbone of industry, and small-scale enterprises. All enterprises with different circumstances and situations, such as those with large profits, those with minimal profits, enterprises in debt, processing enterprises, excavation enterprises and so on, should draw up concrete implementation plans. Those large and medium-scale enterprises with good profits should implement transformation of delivery of profits into taxes while small-scale enterprises with good profits should implement the system gradually on the basis of their actual situation. There are several different methods of rationally distributing any profits which remain after taxation, such as tax adjustment or contracting. The level of profits remaining for an enterprise should stay at basically the same level as 1982 and any irrational levels should be readjusted. Small-scale enterprises should have life injected into them and profits remaining after taxation in these cases should be attended to. Financial and taxation departments and any other relevant departments should ensure that this transformation of delivery of profits into taxes becomes a major undertaking and thus they should amass a central force to ensure its implementation.

Enterprises under collective ownership in towns and cities and enterprises run by commune brigades should undergo pilot schemes, and by the end of this year they should fully implement the management contract responsibility system. Management contracts only alter the style of management and do not change the essential nature of collective ownership of the enterprise, nor do they alter the relations of subordination and command in the enterprise. There should be many varied and dynamic contract styles and not simply one basic change. Those businesses and enterprises which are suited to decentralized management such as catering, service and repair businesses can

adopt household or individual contracts and leasing set-ups. After the contract is set up and arranged the various current channels of the enterprise for goods and materials, funds and product sales may not be suspended. The contractors must respect state laws and policies and must hand over profits and taxes punctually and in accordance with stipulations.

In order that every region is able to give expression to its enthusiasm, the development of economic construction must be speeded up. As from this year the province will implement the financial administration system known as "differentiating expenditure and revenue and graded contracts" throughout all towns and prefectures. After the implementation of the contract system financial expenditure and revenue predictions for every area should be organized in accordance with the principles of large expenditure, large revenue, small expenditure, small revenue, with independent achievement of a balance between them. We must work hard to increase production, and practice strict economizing, putting emphasis on improving economic results and guaranteeing the completion of all financial duties.

### 3. Reform the Commercial Circulation System and Promote Commodity Production and Circulation

We have just recently entered the period of large-scale development of socialist commodity production in both rural and urban areas and the new trend toward commodity production from agricultural self-sufficient and semi-self-sufficient economies has meant that the key to developing the economy is now how to speed up reforms in the sphere of circulation. Every level of government must involve itself in production, and at the same time tackle circulation, making the reform of commercial circulation and goods and materials circulation systems a top priority. Reforms of the commercial circulation system must uphold the socialist path and maintain the unified socialist market. This planned economy must be upheld as central and market adjustments as supplementary and the market must be enlivened on the premise of ensuring that state unified planning task will be completed. The guiding role of state-run commerce must be upheld and diversified economic styles, diversified management styles and diversified channels of circulation should be implemented in the commodity circulation system as well as reductions in the number of circulation links in the chain. It is necessary to break down divisions between the towns and the countryside and interregional blockading, thereby promoting commodity production, developing commodity exchange, and making both rural and urban economies more prosperous so that they may serve the constantly increasing material demands of the people and socialist modernization.

Buying and selling policies for agricultural by-products and industrial products must be readjusted. Clear limitations and spheres of influence should be drawn up for command planning, guidance planning and market adjustments and the management proportions of state-run commerce should be rationally outlined. As far as the small number of important agricultural by-products which are connected with the national economy and the people's livelihood are concerned, there should be a continuation of the monopoly on buying, although varieties should be accordingly decreased. As for

state planned commodities, some will have purchasing base figures specified and some will have proportions between purchasing and retention specified, and this will remain unchanged for some years, providing production units with certain powers concerning the handling of commodities. Purchasing and selling contracts should be actively popularized and strictly adhered to. Agricultural by-products which remain after state planning objectives have been completed (except for those which have been specifically excluded from entering the market) and those commodities which are not under state purchase monopolies may be handled through a variety of diversified channels. Supply and marketing cooperatives, commune brigade enterprises, agriculturally, industrially and commercially integrated enterprises and other cooperative commercial organizations as well as urban collective enterprises can all carry out lively buying and selling. Private peasants can also involve themselves in management and it is permitted for individual peasants or groups to transport their goods for sale over fairly long distances. They may enter towns, leave their county or indeed the province. Any cancellation of transportation of agricultural by-products not of the area for selling can only be approved and decided by the original work unit which produced the products. Processing and catering industries which make use of agricultural by-products as their raw materials can buy the raw materials they need at the market. Any agricultural by-products which fall outside the purchasing tasks may have their prices raised or lowered. There should also be suitable readjustment to buying and selling of industrial products and while many different styles should be adopted, state monopoly on purchasing and distribution should be continued along with planned purchasing, selective purchasing and ordered purchasing. In addition, great effort should be made to develop sales through agents and unified management of industry and commerce. Apart from the small number of commodities managed under state planning, wholesale and retail enterprises should be encouraged to purchase their goods directly from the factory, thereby widening somewhat the arena of production and marketing of industrial products. Any products which are not bought by commerce may be sold wholesale or retailed by industry. Wholesale markets for small commodities should be opened up and developed and management of small commodities should be enlivened.

Reforms to the state-run system of commerce. On the basis of rational organization of commodity circulation in economic spheres, wholesale set-ups should be established and readjusted while the over-numerous styles of distribution and fixed level methods of commodity wholesaling should be reformed with a successful integration of lively buying and selling and distribution being implemented. Many different styles of unified management and unified selling should be implemented on the basis of the principles of equality and mutual interest. Prices should be established according to quality, bearing in mind the interests of both the producer and the consumer. No market wholesale prices (except certain specified small commodities) may exceed the list price as laid down by the state. On the basis of the principles of commodity division of labor and linking up between the urban and rural areas more channels should be opened up for access and greater efforts made to bring commodities into the countryside. Foreign trade should be actively developed and economic cooperation

should be arranged with foreign countries while labor exportation is increased too.

The experiences of Dazhu Prefecture should be popularized everywhere and steps to a reform of the system of supply and marketing cooperatives should be speeded up. Grassroots supply and marketing cooperatives should restore the quality referred to as cooperative commerce and with independent rights over manpower, finances, materials, production, supply and marketing they may carry out independent and free management, independent accounting and take individual responsibility for profits and losses. Prefecture supply and market cooperatives will become the joint economic organizations of grassroots supply and marketing cooperatives, maintaining economic viability. The prefectural joint cooperatives and the grassroots cooperatives must all expand their spheres of management and service, gradually becoming composite supply and marketing, processing, storage, transportation and technological service centers.

At the same time as organizing state-run and supply and marketing cooperatives' commercial and service industries, active development of collective and individual retail commercial and service industries should be seen as the future fundamental guiding ideology for developing socialist commercial and service industries. This work should involve all-round implementation, working toward a solid network incorporating large, medium and small-scale enterprises integrated with circulation services which extend into the rural areas so that circulation channels extend in all directions and goods are circulated freely and without obstacles, satisfying the daily needs of the people in many different areas of life.

There must be further strengthening of price management, taxation management and the administrative management of industry and commerce. All work units and individuals carrying out either seasonal or year-round commercial activities must be registered and must pay taxes according to the law. State price policies must be strictly enforced and no random or covert price increases are permissible, thus the interests of the consumer are protected.

As from today, the province will carry out all-round contract responsibility for buying and selling and allocation and transferral of grain foods on both a town and prefectural basis for at least 3 years. After this contract system, all state policies must be unified and the principles of state monopoly on purchasing and marketing and unified allocation and transferral must be maintained and on this premise graded management will be implemented.

#### 4. Continue Readjustment and Overall Reorganization of Existing Enterprises, Work Hard To Improve Standards of Management and Administration

As the market changes from being a seller's market to a buyer's market a freer commodity circulation system should be implemented to increase competition. The commodity structure, organizational structure and technological make-up of existing enterprises in our province is not very rational and

management and administration is very backward and this situation is becoming increasingly unsuitable in view of this new development in the market situation, therefore continued readjustment and reorganization is required.

In readjusting the commodity structure, production must be organized in strict keeping with social demands with constant efforts to increase market suitability and competitiveness. All production enterprises must get to grips with both management and production and regard the investigative analysis of market information as fundamental work in the enterprise. Production planning should be timely altered in the face of market changes and great efforts should be made to develop new products, to increase product variety and quality while at the same time lowering production costs and improving product marketability. Readjustments to the organizational structure of enterprise should at present concentrate on two main areas. One is to carry out enterprise closure or redirection of production using effective and wide-sweeping measures, while respecting enterprise relations of superiority and inferiority and the general direction of enterprise readjustment in businesses throughout the country. Efforts should be made to ensure that this work is well underway this year and to have completed it by next year. The second area to concentrate on is the development of reorganization of industry and economic integration. There should be further industrial reorganization, maintaining product management by the original and relevant departments. Attention should be paid to integrating the roles of major towns and cities and businesses. As far as those enterprises are concerned which fall within the sphere of the same town or city, the town or city should be responsible for organizing specialization cooperation and socialized services, no matter what line of business the enterprise is in. Main industrial administration sectors should be responsible for the overall work of successfully organizing overall development plans, economic policies, technological policies, technological standards, quality assessment schemes, the propagation of new technology, development of new products, economic information and economic surveillance. Great efforts should be made to promote and develop integration between production, circulation and research units.

In accordance with the State Council's demands, steps relating to the reorganization of enterprises should be quickened and the quality of such work improved. The spirit of restructuring should be adopted to reorganize enterprises and all old frameworks which are causing obstacles for further development should be boldly broken down so that new systems and new methods may be set up more in line with production development. Reorganization should be accurate and not merely done as a formality. Through this reorganization enterprise management and administration should reach new standards. Plans for reorganization should be drawn up and implemented thoroughly with focal points, and experiences should be digested one by one so that before 1985 all existing enterprises have been totally reorganized once, that focal enterprises will have reached national standards for enterprises in that particular area of production, and so that enterprises with bad management will have transformed their losses into gains. Increasing economic results should be central to everything as the reorganization of enterprises is integrated with reforms in management and administration

systems and this in turn is integrated with further reorganization and technical transformations. Work safety regulations should be strictly enforced and both civilized and safe production should be well organized. This year there should be emphasis on tackling the reorganization of 30 large and medium-scale backbone enterprises with all internal bodies being speedily reorganized and readjusted, and three "regulations" being implemented and the leadership bodies within the enterprises being restructured and improved. In addition enterprise management and administration methods should be improved and the economic responsibility system perfected, with plans drawn up for technological transformations and great efforts made to finish setting up the "six good" enterprises in the next 2 years. The economic responsibility system should embody complete unity between duties, rights and interests and there should be intimate links between economic responsibility and economic interests and individual workers contributions. On the basis of fixed personnel numbers and quotas, contracts should be used increasingly to eventually incorporate every single enterprise employee, including the leaders of the enterprise. In addition a strict accounting system should be set up as well as systems whereby hard work earns profit, and no work earns nothing, as well as various bonus and penalty systems. Every region and every department must not let up on enterprise reorganization while carrying out structural reforms, and as in the work of tackling production, a specific batch of people must be selected to carry out enterprise reorganization.

##### 5. Strictly Control the Scale of Investment in Fixed Assets, Strengthen Major Construction Projects and Technological Transformation Work

The key to consolidating and developing the present healthy trends in the economy and avoiding repeated fluctuations in this trend is to strictly control the overall scale of investments in fixed assets. History proves to us that when investments in fixed assets get excessive and out of control, they tend to constrict production, balance and life in general, creating widespread difficulties, and now some markets which to certain extents have become buyer's markets are facing the prospect of once again becoming seller's markets, and this will make prices uncontrollable. In addition some policies of relaxation and some system reform work is becoming more and more difficult to implement smoothly. Thus it is vital that certain resolute measures be implemented to firmly control continued increases in the scale of investments in capital construction. All kinds of funds, especially planned foreign capital investments must be used strictly according to planning. Anything which exceeds permitted quotas for independently raised investments should be channeled into major construction funds for energy and communications.

In order to provide even better guarantees for major construction work, financial and material potential should be amassed in order to set up a series of large and medium-scale production projects involving energy and communications, and in this way solid foundations may be laid for economic prosperity in the 1990's. We must ensure that our understanding on this major undertaking which involves the overall economy is unified and in harmony, and that partial interests remain subordinate to overall interests

and that regional interests remain subordinate to state interests and in this way we may provide active support for the state's major construction work. Leadership must be strengthened and regional problems timely solved so that the state may organize construction and reconstruction projects involving energy and communications in our province. We have already begun to ensure that engineering schedules and the quality of such work may be guaranteed and we must in addition ensure that preconstruction work is well tackled so that there are no delays in any of the projects.

At the same time as strengthening major construction work, efforts should be made to enliven technological transformation. In the next 3 years technological transformations in existing enterprises should concentrate on saving energy and raw materials, improving product make-up, improving product performance and quality, and increasing production capacity for socially vital products in short supply. Machinery and electrical industries represent the outfitting department for the national economy and here technological transformations should be ahead of other areas. The machine industry should concentrate on the production of highly efficient, economical products and high precision equipment, thereby serving technological transformations and industrial reforms in every other area of the national economy. Efforts should be made to improve the quality, price, adaptability and economy of machines offered to agriculture, light and textile and energy industries. The electrical industry should get to grips with technological transformations and importation of equipment related to the production of essential machine parts. The computer industry should be developed and new marketable products researched. Light and textile industries should improve the quality of leather and plastic goods and all durable consumer items. The food industry should be developed and the capacity of vacuum salt production should be expanded and postproduction processing of textiles and silk should be improved. In addition compound fertilizers and compound feed should be actively developed. Industries such as metallurgy, building materials and chemicals should also all have their focal points for reform. National defense industries and research centers should continue to implement the principle of integrating the army and the people and, on the premise of ensuring the completion of military undertakings, the national defense industry should actively support technological transformations in regional enterprises by producing marketable civilian products.

In accordance with the principles of equality and mutual interest, the search for actual results and common development, many different kinds of economic and technological cooperation should be developed. Advanced coastal technology should be absorbed and foreign advanced technology actively imported so that gradually the fruits of both overseas and domestic technological developments may be used in coordination to help technological transformations in our province. By means of technological transformations we intend by 1985 to have between 450 and 600 products of outstanding quality or with a famous brand name in our province. In addition we intend by that time to have won between 40 and 50 gold and silver national product quality awards with some products having reached international standards and with an increase of around 8,000 new products and new product

varieties while ensuring that production value develops in step with taxation and profit, thereby improving composite social economic results.

In order to speed up the technological transformation of existing enterprises it is important that policies and measures already outlined be steadfastly implemented and carried out. These include rational increases in the rate of depreciation, floating interest rates on bank loans, extended loan repayment periods, improved repayment methods, the establishment of funds for technological transformations, implementation of aid and support for major projects, repayment of all loans, enterprise-type companies, and general factories with the right conditions amassing the funds for technological transformation from the enterprises under their auspices in order to improve the results of technological transformations.

#### 6. Improve the Teaching of Sciences and Promote Scientific and Technological Developments

In order to realize all the targets of the Sixth Five-Year Plan, it is vital that advances in science and technology be carried forward. Leaders in all levels of government and in all financial and economic departments should free themselves of past ways of thinking in which production and capital construction were stressed and technological advancement looked on lightly. Today it is important that these leaders firmly depend on advances in science and technology to develop economic construction, and it is this kind of thinking which must become rooted in their minds. In this way all sectors of the national economy will be correctly and gradually redirected into their new foundation, namely technology. Work in science and technology must move ahead of the economy and serve economic construction, attaching top priority to those areas of science and technology related to economic results. Production sectors should put emphasis on technological developments and work hard to successfully integrate production and science.

The intellectuals are an integral part of China's working class and, like the peasants and workers, they are a dependable force for the construction of socialism. In implementing the policies for intellectuals the most important thing to do is to ensure that the intellectuals use their talents to their utmost and play their role fully. At present it is particularly important that we ensure that middle-aged intellectuals play their role to the full. We must work hard to improve their working and living conditions and their treatment. Those who make outstanding contributions should be rewarded and perhaps promoted. We must provide even better and newer studying opportunities so that technicians and intellectuals are afforded the conditions necessary for study. Some policies should be drawn up to encourage the directional flow of scientists and technicians so that they strengthen the first line of production and areas of frontier science as well. At the same time we must permit rural areas and outlying, inaccessible areas poor in technical and scientific forces to employ the technicians and scientists that they need from various bodies, schools and work units, and this move should be supported by work units. All scientists and technicians should behave correctly, constantly enriching themselves and

learning from such models as Peng Jiamu, Luan Fu, Jiang Zhuying, Luo Jianfu, Lei Yushun, Sun Yefang and others. They should throw themselves positively into the reality of economic construction, making constant and repeated contributions.

We must break down barriers between departments and regions by organizing scientists and technicians from all universities, colleges, research units, design departments and enterprises together, getting them to participate in drawing up plans and encouraging them to organize technical cooperation. It is important to ensure that enterprise and business planning is linked up with regional planning so that total integration throughout the hierarchy is ensured, that long-term and short-term planning is integrated and that technical transformations are effectively integrated with harnessing the environment.

New technological equipment and machinery should be introduced in a planned gradual way with emphasis on specific areas while at the same time the general planning for technical development is adhered to. In the next 2 or 3 years we must get well to grips with the urgent question of production, with high economic results and energy conservation, by developing technological cooperation, achieving results as soon as possible and implementing these results in production. In addition, various departments such as financing, taxation, the banks and pricing departments should draw up rational policies and guidelines to provide outlets for the promotion of technological findings.

In reforming the scientific research system there are three main aspects which should be tackled at present. The first is the rational readjustment of leadership relations. Those research bodies which fall into the bracket of composite or new and developing technological research bodies should be permitted to retain their present leadership relations while practical and specialized research units should in principle be incorporated into the production sector, integrated companies or general factories. Second, every sector should select from the research bodies that exist in the sector those which are technologically powerful, so as to enrich technological forces in general and organize and establish technological development centers for that sector. Existing agricultural research bodies should be readjusted and technological development centers and research centers should be set up according to regional divisions in the rural economy. Third, the coordinated process of research, design, production and services and the integrated body made up from research, design and production as well as technological information services should all be used to encourage a link up between research units and production units and in this way technological findings may be transferred as quickly as possible into a real productive force. Research into social sciences should be emphasized and there should be improvements in the relations between social scientists and natural scientists which will thus promote the integration of science and technology with economics and society.

In order to be able to depend on developments in science and technology to make the economy flourish, it is vital that a great deal of human talent and

ability be trained and thus education carries an onerous and glorious responsibility. There must be decisive increases in investments in things intellectual and at the same time as setting up schools and colleges the state should advocate and encourage communes, factories and enterprises as well as social groups and individuals to set up schools and classes. Efforts should be made to establish a stable, qualified army of teachers, the quality of teaching should improve and the teaching profession in general should flourish, making efforts to ensure that the present relatively backward condition of the teaching profession in our province be improved during the period of the Sixth Five-Year Plan. The present system of enrollment and allocation of university students should be reformed actively and step by step and there should be planned pilot schemes implemented to test systems of directional enrollment and directional allocation so that gradually student proportions between different subject departments and specialist deployment are all readjusted. We should develop channels for employment units and training units to link up directly in organizing and being responsible for the training and fostering of new talent. There must be firm reforms in secondary education and many different methods should be adopted to develop vocational and technical education. Gradually some general secondary schools should be changed into agricultural secondary schools or vocational secondary schools, thereby creating a secondary education system incorporating both general secondary schools and vocational secondary schools so that by 1985 the percentage of students in agricultural secondary schools or vocational secondary schools represents one-quarter of the total number of secondary school students in the case of rural areas, and one-fifth of all secondary school students in the case of urban areas. Great efforts should be made to extend and popularize primary school education. We should work hard so that by 1985 primary schools have been introduced into more than 50 percent of the populated areas of the province. Kindergarten education should also be actively developed and in addition there should be active development of education designed to wipe out illiteracy. In rural areas with healthy economies and good educational foundations there should be moves to set up and popularize peasant cultural technological schools. We must continue to develop vocational tertiary education, radio and television colleges, tertiary education by correspondence course and all kinds of cultural and technological remedial schools, encouraging everyone to study by themselves to improve themselves and raise the standards of culture and the sciences. We must respect the work of teachers, maintain correct teaching order and deal with anyone very harshly who might hinder the work of teachers or indeed harm the teachers.

There must be further development in the arts and culture, hygiene education, the press, radio and television, libraries and archives and so on. The socialist arts must flourish and literary creation and literary criticism must be carried out well while Sichuan opera must flourish at the same time. Protection must be provided for ancient cultural relics and valuable animals, plants and natural resources. Archive and information outlets should be used to their utmost, patriotic hygiene movements should be organized and there should be improvements in the prevention of regional, acute and infectious diseases. There should be constant increases in these activities so that the people's health and constitution improves.

## 7. Quicken Construction of the National Minorities Economies and Develop Socialist Nationality Relations

Sichuan is a province with many different nationalities inhabiting it. The prefectures of Ganzi, Aba and Liangshan are enormous and rich in natural resources with a great economic potential. Speeding up the development of national minority economies and improving unity between nationalities will be very effective in realizing the province's Sixth Five-Year Plan. We must implement each and every one of the central authorities' and the province's plans, directives and policies so that the economies of the national minorities may flourish with even greater speed and attain a fast speed of development. The various contract responsibility systems centered around household contracts should continue to be implemented and perfected, letting the masses involve themselves directly in opening up more production outlets and increasing social prosperity. Mountain and barren areas, wasteland and land incorporating the so-called "four sides" all suitable for forestry should implement the contract system, thereby encouraging the masses to actively develop forests and woods, with each area belonging to whoever tends it and with rights of succession being granted for such areas of land. We must protect forestry resources and maintain only planned and rational felling, stepping up reafforestation measures, thereby increasing the rate of afforestation and plantation, while also developing comprehensive use of lumber. The rights of utilization of grasslands and plains should be clearly laid down to encourage and support commune members or integrated households to set up man-made pasture lands which they set up, manage and profit from independently. We must continue to organize well integrated enterprises involving animal husbandry, industry and commerce. Planning of agricultural and native products should be carried out with respect given to local production and market demands. The advantages of local natural resources should be exploited under the guidance of state planning with a variety of different measures being adopted, and economic and technological cooperation programs should be carried out both within and outside the province. There should be development in the production of leather products, milk products, meat and wood products and Chinese and pre-manufactured medicines while all possible mineral resources should also be developed. Special treatment and dispensation should be offered to encourage technicians to go and work in areas inhabited by national minorities, maintaining intimate contact with the cadres of these areas so that the economy, education, sciences, culture, as well as hygiene and sports in national minority regions may be developed and so that they may contribute considerable strength for the construction of united, prosperous and cultured national minority regions.

There should be wide and extensive education concerning the national minorities policies and there should be full respect and guarantees provided for the rights of self-rule and autonomy that each national minority has to govern its own affairs. We should continue to train national minority cadres and solve any outstanding historical problems that might still exist. We should continue to promote socialist nationality relations such as equality, unity and mutual help. We should steadfastly implement the policies permitting freedom of religious belief. In addition we should

step up patriotic and socialist education in religious circles, arranging suitable locations for religious activities and providing guarantees and protection for correct religious activities, thereby mobilizing the enthusiasm of the religious to serve the socialist modernized construction program. In accordance with the constitution no individual may use religion to carry out any kind of activities which may harm social order, damage the well-being of the public or hinder the state education system.

Representatives! At the same time as constructing a high degree of socialist material civilization we must work hard to build a high degree of socialist spiritual civilization. With last year's and this year's "civility and courtesy months" the activities related to the "five stresses and the four points of beauty" have already spread from schools, shops and service industries into other walks of life as well as having spread from the towns to the countryside. During "civility and courtesy month" this year there was more emphasis on the "three loves," namely love for the country, love for socialism and love for the party. Practice has proved that this is a very good way for the masses to carry out self-education and such activities have already had an enormous effect on life in general. All levels of government must step up leadership of these kinds of activities, aiming for improvements and positive results. We must continue to tackle dirt, disorder and deficiencies and further develop outstanding services, set up good order, construct a beautiful environment and greenify the homeland. There should be extensive development of activities for learning from Lei Feng and the advanced. Many different methods should be adopted to popularize and regularly carry out teaching of revolutionary ideals, morals and discipline, all based on communist ideology, to both cadres and the masses. Rules and regulations for cadres, workers and students should be drawn up and respected and the same applies to workers' pledges and peasant and civil regulations. Civilized villages, neighborhoods and work units should be set up so that every citizen will perform his or her duties to the state and to society even better, so that he or she will respect work morals and social public morals and in this way more and more adult members of society will develop into idealistic, moral, disciplined and cultured workers setting up and developing throughout society a new style of social relations which embody the socialist spiritual civilization.

#### Strengthen Government Construction, Improve and Develop Work Styles

We have already entered the stage in which there is an overall opening up of a new phase in socialism and thus on the premise of maintaining the four fundamental principles we must readjust those parts of the superstructure which are not in keeping with the demands of the economic foundation. For this reason we must reform administration bodies and leadership systems, changing all unsuitable management methods, activities or ways of thinking. We must give full expression to socialist democracy, ensuring that overall planning, coordination, service and surveillance are all carried out well. We must improve leadership ability and work efficiency so that the people, the grassroots and production may all be served even better.

# 1. Steadfastly Carry Out Organizational Reform According to Central Deployment

The CPC Central Committee and the State Council have both regarded organizational reform as a vital job since 1982. We must use a revolutionary spirit to successfully carry out this reform work, to readjust and strengthen all levels of leadership and cut down on massively overcrowded organizations. We must select a batch of outstanding middle-aged cadres and train the majority of other cadres while they work, to overcome bureaucracy and greatly improve work efficiency.

Reforms in organizations within the provincial government began in November of last year. As to the overall direction of these reforms, Comrade Lu Dadong reported such outlines 29 December last year on behalf of the provincial government to the 5th session of the 12th provincial meeting of the Standing Committee of the NPC and this was duly approved and ratified. After more than 5 months of hard work, organizational cut downs have essentially been completed and so has readjustment of leadership groups and specifications for personnel quotas, and today work is developing smoothly. Provincial leadership and deputy leadership has been cut from 13 people to 7. Provincial government work departments will have employee numbers cut from 68 (not including the 18 units under dual-leadership of the State Council departments and the province) and will total 41 in all representing a cut of 39.7 percent. There will be amalgamation between the economic committee, the financial office, agricultural affairs office and planning committee all of which will be organized into the economic planning committee. The commercial bureau and supply and marketing cooperative center will amalgamate into the commercial bureau. The import and export committee, the foreign economics office and the foreign trade office are amalgamating into the foreign economic trade office. The construction committee, construction office, construction materials office, environmental protection bureau, methane construction office and civil defense office are amalgamating into the urban and rural construction and environmental protection bureau. The agricultural office, the animal husbandry office, commune brigade enterprise office, and agricultural machinery office are merging into the agriculture and livestock office. The personnel office, labor office and planning committee office are merging to become the labor and personnel office. The culture office and publications office are merging to become the culture bureau. The foreign office, tourism department and Overseas Chinese office are merging to become the foreign affairs office. The standards office and measuring office are merging to become the standards and measuring office. The medical administrative office is changing its name to the general medical company with leadership being turned over to the economic planning committee. The organizational affairs administrative office will be under the charge of the provincial government offices. The Sichuan Machinery Office will be known as the electronics industry office. The culture and education office are all to be wiped out. All other offices, bureaus and committees remain and in addition a new auditing bureau is being set up. After exhaustive discussion with the leaders and the masses, allocation of all leadership groups for all offices, bureaus and departments has already been decided and the numbers of leading cadres has been cut from 466

to 153 with the average number of people in each group being reduced from 6.8 to 3.8 and the average age of leaders being reduced from 60.4 years of age to 53.4 years of age. Whereas before only 50.4 percent of leaders had reached senior middle school level or above, after reforms this percentage rose to 75 percent and thus great steps were shown to have been taken toward revolutionariness, youthfulness, education and specialization. Total numbers of personnel were cut by more than one-third. We must move onward on the crest of these victories, carrying out this work to the very end and establishing healthy and strict systems of responsibility, improving work style and work methods amongst leaders and developing rotational training for cadres so that the quality of the cadre ranks will improve.

Reforms of urban, regional and prefectural organizations and reforms in the system of the town leading the county touch on a great many different things, and the general situation is extremely complex, hence the need for overall planning, improved leadership and pilot schemes. The main methods of reform are: a) To permit large and medium-scale towns to take over several counties, expand their rights and powers, allowing the central towns and cities to express their roles as economic pivots. b) Economically well-developed towns under regional jurisdiction and counties which make up economic centers should gradually establish themselves as towns under provincial jurisdiction, with some of them implementing urban and regional integration. Thus the town would be in charge of industry and agriculture and would administer the town and the surrounding region. c) Those regions with insufficiently well-developed economies or other unsuitable factors should maintain their administrative offices and carry out organizational reforms. d) Provincial and regional enterprises should in principle be transformed into enterprises under urban administrations. After ratification from the State Council and CPC Central Committee, Chongqing and Yongchuan Prefectures are merging and implementing pilot schemes involving composite reform of economic systems in a planned way. These reforms are mainly carried out on planning, circulation, finance, labor and wages and enterprise management systems, seeking new ways to integrate military and civilian aspects. We must fully and enthusiastically involve ourselves in and give support to this important reform work and ensure the smooth implementation of all pilot schemes. Other towns, regions and prefectures should actively prepare themselves to initiative organizational reform work when the time is right so that by the end of September all projects involved in organizational reform are complete. All prefectural organizational reform work begun as from this winter must be finished by next spring.

The composite reform pilot schemes on the villages of the three prefectures of Guanghan, Xindou and Qiongxia have reformed the system of integrated government and commune administration, and with a division between the administration of the two, the construction of village grassroots government powers has been strengthened and the rural economy has been stimulated and thus the new system has been widely supported by the masses. On the basis of the new constitution and starting from a realistic point, we must reform the system of integrated government commune administration throughout people's communes in a planned, guided and step-by-step way. We must ensure that there is a division between commune and governmental

administration and set up a rural people's government, and we must try and complete this work by the end of this year. Before this reform work of dividing government and commune administration has been completed the communes must continue to industriously carry out their administrative functions and ensure that political work is carried out correctly. After the divisions have taken place the rural government must define and exercise its functions according to the constitution and concentrate most of its efforts on ensuring that the party and the state's policies, principles, and laws are all implemented and carried out, organizing production work and the lives of the masses and ensuring the realization of direct democracy at the grassroots level of life, responding to and reflecting the wishes and desires of the masses.

On the basis of the State Council's and the party Central Committee's relevant directives, the following few points should be solved in organizational reform work: 1) On the basis of the principles of revolutionariness, youthfulness, education and specialization as well as smallness in number but superiority in quality the leadership groups must be well organized and allocated, ensuring that old and young cadres cooperate in replacement programs and that unity is improved. 2) Organizational deployment should be based on reality, concentrating on simplicity, wiping out all overstaffing, merging those jobs which are very similar and ensuring that those offices which are suitable, become either special work units or enterprise economic organizations and do not continue to function as state administrative organizations. The use of personnel should be rationally cut down to suit each job. 3) Fully exploit the roles of the older comrades, for this is a decisive factor in the smooth implementation of organizational reforms. Those cadres who are retired to the second or third line should be well organized and well looked after and in political terms they should receive full respect while in their lives they should also enjoy good treatment. They should be organized to carry out all the work they can so that they continue to be of use. 4) All effective opportunities to cut down on organizational structure should be seized, many different methods should be used, cadre training work should be developed so that within 3 to 5 years the standard of political work of the cadres in government organizations as well as their leadership and administrative capacity improves considerably.

The organizational reform work and the work involving the division of government and commune administration is very far-reaching and affects all the cadres in China, thus making the task a very onerous one. Two sets of leadership groups should be established, one to tackle production and one to tackle reform work, and in this way all reform work and production may be assured smooth running, for work should not be adversely affected, adversely influence production, or produce any damage or losses whatsoever. The mass line should be implemented, there should be integration between the leaders and the masses and those with the most important responsibilities in government should involve themselves thoroughly, getting to grips with detailed ideological work and in this way solving any problems which might come up.

## 2. Steadfastly Implement the New Constitution, Develop Socialist Democracy

The constitution ratified at the Fifth Session of the Fifth NPC represents the major and fundamental laws for China's socialist modernized construction program. The proclamation and implementation of the new constitution reflects the fact that the construction of China's socialist democracy and legal system has entered a new stage. We must continue with banners high to publicize the new constitution amongst the masses and ensure that everyone is aware and conscious of it. In their study, propagation, implementation and protection of the new constitution, all levels of government must act as leaders and stimulate the masses throughout the province to study the constitution and respect its laws so that throughout society everybody develops a healthy respect for and defense of the new constitution.

The construction of a high degree of socialist democracy is one of China's most fundamental aims and tasks. The construction of both a socialist spiritual and socialist material civilization depends on the continued development of socialist democracy for support and assurances. The very essence and kernel of socialist democracy is that the people become the masters of their own world and society. All levels of government and other personnel must serve the people with all their heart, maintaining constant, close relations with the masses, placing themselves under the surveillance of the masses and their representative body, all levels of the National People's Congress. They should often listen to the opinions and feelings of the masses with an open mind. They should steadfastly carry out the work involved in the people's letters and visitation system. In situations where criminal behavior occurs the masses have the right to make reports, complaints and appeals and no one may exert pressure or try to make reprisals.

As the masters of the country and society, the people must enjoy differing degrees and differing sorts of direct administrative power in all areas of life and society. In accordance with the constitution and the law, all levels of government must organize and promote the realization of these democratic rights. Through various channels and actions, including the construction and perfection of a workers council in state-run enterprises and democratic administration in collective economic organizations, we must ensure the correct construction of various grassroots mass, self-governing organizations such as residential councils and peasant councils and so on. We must ensure that socialist democracy expands correctly to embrace politics, economics, culture and day-to-day life, so that the masses may teach themselves and administer themselves to an even greater extent than before.

The construction of socialist democracy must be integrated with the construction of the socialist legal system so as to ensure the systemization and legalization of socialist democracy. Only if the socialist legal system is improved and strengthened may socialist democracy obtain any certain assurances and guarantees. This, then, demands that all levels of government, all leading cadres and all government workers work strictly in accordance with the law. The present problem that there are quite a number of cadres, mainly responsible cadres, who lack sufficient appreciation of the

significance of the construction of the legal system. Thus their concept of the legal system is shallow and in many instances certain of the laws are not heeded and other laws are not as strictly enforced as they should be. The laws which have been drawn up have still not received full respect or implementation. This situation must be changed. Our comrades, especially responsible cadres at all levels, must raise their consciousness and improve their ways of thinking about the socialist legal system, acting as leaders in respecting the law and implementing the law, thereby ensuring and protecting the unity of and respect for the socialist legal system. All work in every level of government organization must be carried out in accordance with the law and within the limits of the law. No activities should be in conflict with the constitution or the law. Teaching of the socialist legal system must be stepped up among the cadres and the masses, understanding of the legal system should be publicized and a firm struggle maintained against all behavior which opposes the constitution and the law and damages the socialist legal system. In this way, we may ensure that the socialist legal system becomes authoritative and develops into a yardstick for all cadres and all the masses.

Socialist economic construction, in addition to making use of administrative management and various economic measures for adjustments, also needs legal means to be controlled. We must learn to make use of economic laws to organize, lead and manage the economy. All the economic laws and regulations that the state has already drawn up and announced should be steadfastly implemented. Work should concentrate on economic construction and the reality of reform. All former economic regulations should be put in order and all necessary administrative measures and rules and regulations should be drawn up and perfected. The economic legal system and industrial and commercial administrative management should be strengthened, the results of economic reform work should be consolidated and guarantees provided for the healthy development of the socialist modernization program.

The development of the socialist construction program and the continued implementation of all kinds of reform work requires a stable and unified political situation. Thus we must work hard to wipe out all unsettling and destabilizing factors, struggling positively against all behavior which opposes or damages stability and unity. Today there have been fundamental changes to the political situation in China. There must be appropriate changes in work involving politics and law, especially involving public security, in line with these general changing trends. General governing should be improved, with the emphasis on preventing crime and saving those who are going astray. At the same time the struggle against enemy elements should be stepped up and positive "public security" should be implemented. Civil administration work should, while supporting production, actively provide aid for families in difficulties and disabled servicemen, and other welfare work. Strengthening general governing is the common task of every battle front, every department and every work unit, and cooperation should be close and support mutual. Apart from gradually being able to solve such problems as employment, housing, cultural living conditions and other social problems as the economy develops, the most fundamental and important thing is to get to grips with education and reach out to the masses, to the

youth of today, and to the millions of households, carrying out guidance, adjustment and transformation work. At the same time we must also recognize that in our society there still exist certain enemy elements who are carrying out destructive activities, attempting to overturn the social system. We must prepare ourselves spiritually for a long struggle and uphold the state function as the democratic dictatorship of the people, adopting a Marxist class viewpoint to handle social contradictions and social phenomena which bear the hallmark of class struggle. From our ideology to our actions we must uphold two things. One is to maintain the open-door policy and the enlivening of the domestic economy and the other is to steadfastly fight back against economic crimes and all political and cultural criminal behavior which may damage socialism. All obstacles must be eradicated. The present battle being waged against serious criminal activities must continue and in particular we must get to grips with investigations into major criminal cases. We must wipe out odious phenomena which vanished in the early years of new China but have now reappeared, such as kidnapping and other crimes, which harm women and children, and criminals involved must be handled according to the law, with severe punishments being meted out where necessary.

### 3. Improve Leadership Work Style. Pay Attention to Work Methods

All levels of government and all departments must concentrate their efforts to correct their own work ideology. Within 2 or 3 years there must have been thorough investigations carried out so that all past experiences, both positive and negative may be assimilated and assessed in a systematic way and so that a set of principles and work methods may be found which suits each area and each department and which integrates both theory and reality. New situations and new things are constantly appearing and thus all new situations must be studiously and promptly investigated so that all new problems may be solved and work in every area may develop well.

The construction of a characteristically Chinese style of socialism is an enormous and very creative process and we must rely fully on the masses to realize it and create it. In the past few years, the masses in our province have carried out courageous reforms, destroying the old and building up the new and bringing with them economic development and social progress. As from today we must set up with even greater firmness the concept of creativity amongst the people, giving constant respect to the people's spirit of initiative. When anything is not understood we must turn to the people, to the experts or to real practice to learn. Anything which the majority of the people demand to be done and which can be done, should be done. We must frequently go amongst the people so that through this exploring and probing our cause may constantly develop.

All levels of government and all departments must work hard to foster a work style which is based in reality and which solves problems through investigations and research. All major affairs should undergo investigation, have pilot schemes tested and be guided in a structured way. All affairs in which the situation is not clear or in which opinions differ should not be decided lightly. Instead leaders should lead the way in helping relevant

comrades to understand the situation and judge right from wrong and thus solve the problem. All affairs which have been researched and investigated thoroughly may then be handled with decisiveness and without apprehension. All affairs which have been decided upon must be assigned to and implemented by experts with a strict responsibility system being employed. As for those affairs which are of relevance to several different departments, the leaders of each department should involve each other in direct talks and discuss how to handle the affair together. We must fight against situations where people insist on things being done in their own way and refuse to cooperate if that is not the case, and in addition we must avoid petty quibbling over work.

Representatives! The 12th party congress and the Fifth Session of the Fifth NPC has outlined for us our aims and our glorious prospects. Today our direction is already plotted, the road is open and the masses are now moving along it. Under the leadership and guidance of the CPC Central Committee, the State Council and the Sichuan Provincial CPC Committee we must, with all the peoples of the province, steadfastly carry out reform, smash the old and build up the new, boldly study and be courageous in our practice, struggling to open up a new phase in our province's socialist modernized construction program and struggling to ensure that construction in Sichuan may become the consolidated tactical rear for our glorious country.

CSO: 4006/531

## FINANCE AND BANKING

### TAX MANAGEMENT PROBLEMS IN MEDIUM, SMALL-SIZED CITIES DISCUSSED

Beijing CAIZHENG [FINANCE] in Chinese No 4, 8 Apr 83 p 36

[Article by Qin Jincheng [4440 6651 2052]: "Two Problems in the Tax Management in Medium and Small-Sized Cities"]

[Text] Tax management generally includes various work such as collection, management, supervision, investigation, and keeping a tight hold on tax collection. Building a complete tax collection structure, establishing a rational management style, and building a scientific management system are effective ways to strengthen tax management. Presently, we will discuss some views regarding tax management forms and collection methods in medium and small-sized cities.

1. Management forms of tax collection must be suitable with the economic system and the economic structure, and must start off from the many levels and many categories of realistic economic conditions in China, and suit measures to local conditions.

Although some medium and small-sized cities under provincial jurisdiction and regional jurisdiction in China are only commensurate with an area as large as a large city, in these cities, aside from the scattered taxpaying household of region, street and residential committees, various categories of collective economies of agricultural teams, and individual economic and agricultural trade markets, there frequently are central authority, provincial, regional and municipal state-operated enterprises. Confronting this kind of miscellaneous tax collection work, specialized tax management personnel cannot possibly be familiar with it all. Because of this, implementing a single plan to divide into sectors of a "string" management form is difficult. I consider that in medium and small-sized cities, to adopt conditions to unify them, the tax management form that takes the conditions as primary is fairly suitable. The specific form is: the Municipal Tax Bureau establishes the tax policy unit. In regions of collective industry and enterprises and in agricultural pastureland they establish a directly subordinate branch department or directly subordinate tax post, directly managing tax collection of state-operated enterprises of industry and commerce according to the industry and system. They will provide specialized management personnel or establish specialized small groups or accountants to carry out the management of local state-operated enterprises and

various forms of cooperative management, according to the industry and system (bureaus, companies, and cooperative entities). The tax revenue of various types of collective enterprises, budget foreign managed enterprises, individual households of industrial and commercial enterprises and the agricultural trade market will be managed by the tax department of the administrative area and the tax bureau of the grass-roots units, and specialized management personnel and accountant management can divide the industry, system and economic categories on the section basis within the range of the region; the city suburbs or city region subordinate to the agricultural team enterprises can be managed according to natural economic regions and divided by specialized personnel. Units such as state-operated commercial enterprises and supply and marketing agencies and a small number of fairly outlying industrial enterprises can be locally managed by regional branch departments and grass-roots unit tax bureaus. This way, city bureaus can grasp the major tax sources, which will benefit research, analysis and resolution of the shared problems within the industry and system.

In county areas of medium and small-sized cities, some only have one or two industrial bureaus and do not need to be managed according to the industry. They generally can establish grass-root unit tax posts that are divided according to the region (town) that is below the county or the working committee (the office sent by the county government), or establish branch offices in regions or towns where enterprises are fairly concentrated; bigger communes or autonomous areas can also individually establish tax posts to look for conditions of tax sources. This is also to say that the tax bureaus of the grass-roots units are established only according to economic regions within definite administrative regions. Because tax departments all in all are not only economic organizations, they cannot be separately linked from local administrations.

2. Tax collection methods must be suitable with even more kinds of economic components and different enterprise business accounting forms. We should work out measures to suit local conditions, and be firmly based on prompt and sufficient taxation.

Presently there are basically three forms of tax collection methods in medium and small-sized cities in China: one is self-calculating, self-examination, and self-paying of enterprises; another one is representative deduction, representative paying and representative levying. The tax collection method of the "three selfs" for enterprises was produced following the adjustment and reform of the tax system in the later period of the 1950s. From a practical view, this kind of taxpaying method plays a very great role in the area of ensuring tax revenue stores. It is used to promote enterprises to strengthen their sense of responsibility to the state and their sense of responsibility of being their own masters. Especially during the period of ten years of confusion under conditions where the tax collection structures are the grass-roots units in many places were weakened, and the power of tax management was seriously inadequate, the "three selfs" taxpaying method played a very great role. Presently, in enterprises that possess the conditions, the continuous implementation of the "three selfs" method of tax payment is feasible, especially in large and medium-sized enterprises where the tax source is fairly concentrated, tax collection

within a month is divided into many payments, implementing the "three selfs" tax payment method is even more necessary. "The method of drop-in taxation" can be adopted within a certain range, but not in a direction that will strengthen tax management. I consider that the industrial and commercial taxes and gains taxes of state-operated enterprises or collective enterprises in regions larger than medium or small-sized cities, can all implement the "three selfs" taxation; industrial and commercial taxes of city road enterprises and shared points in residential committee production that are fairly small-scale can also implement "three self" payment. Industrial and commercial gains taxes must also use specialized management personnel to help calculate the amount of gain and taxes, then they can make their self payment. As to the taxation of team enterprises and individual industrial and commercial enterprise households, the tax bureaus should collect directly. As to directly taxing households, they can also use the many lively methods of tax collection, for example, the key tax source household of industrial and commercial taxes according to the day and according to the number of payments made, put into practice the urging forward according to the taxes paid day by day, and carrying out examination and verification guidance according to the month; as to taxing households according to the month, they can emphasize carrying out urging forward examination and guidance; within the tax period at the end of the month and the times at the beginning of the month. As to agricultural team enterprise, they can adopt the many linking forms of tax collecting of household taxes and the definite time for drop in taxes of enterprises under mobile specialized management personnel. In order to strengthen collection management work, we also must do a good job on tax collection propaganda, do a good job on guidance before taxation, grasp well the filling in of completed tax certificates, payment books, refund books and enterprise taxation reports, and the audit and check work of enterprise accounting reports and enterprise tax remittance application forms, and the various forms of tax collection investigation of auxiliary time periods, do a good job of tax collection investigation ledgers after levying of taxes, to block up loopholes, and do a good job of tax collecting work that ensures quality and quantity.

12254

CSO: 4006/490

## FINANCE AND BANKING

### TAX COLLECTION, TAX COLLECTORS' ROLE DEFENDED

#### Tax Collectors Defended

Beijing CAIZHENG [FINANCE] in Chinese No 4, 8 Apr 83 p 31

[Article by Liu Qizhe [0491 1142 1807] of the Dongzhi County, Anhui Province Tax Bureau: "Do Tax Collector Cadres Vigorously Collect Taxes for a Bonus?"]

[Text] Recently, I've heard some tax-paying units and individuals say in discussion: 'If tax collecting cadres aren't doing it for the bonus, then how can they collect taxes so vigorously!' I consider that this argument is incorrect. It influences the development of tax collection work and must be clarified.

Tax collection is an important means for the state to obtain revenue. According to state policy and tax law regulations, carrying out taxation on taxpayers is the responsibility of the tax collecting cadres, and the tax funds that are levied must be turned over to the state treasury promptly and in sufficient amounts. Tax collection offices are the same as other units with administrative undertakings; they do not practice a bonus system, but only have a small number of awards for economizing. Collecting taxes is to accumulate funds for the construction of socialist modernization and has nothing to do with bonuses; this kind of misunderstanding should be eliminated for the development of profitable tax collection work.

#### Role of Tax Collection Analyzed

Beijing CAIZHENG [FINANCE] in Chinese No 4, 8 Apr 83 p 31

[Article by commentator of this newspaper: "Such Views are Erroneous"]

[Text] This issue of the paper carries a short article by Comrade Liu Qizhi, reflecting that some people spread it around that tax collection cadres vigorously collect taxes in order to receive a bonus, and said that such a view has already influenced the development of tax collection work. Well-meaning criticism should be welcomed, erroneous views should be eliminated.

Tax collection cadres vigorously collect taxes. This statement correctly reflects the main trend of the many tax collection cadres, and reflects that tax

collection cadres are striving to obtain a basic turn for the better in financial and economic conditions and the appearance of a hard-working spirit. Tax collecting cadres should vigorously collect taxes; to not vigorously collect taxes is incorrect. But to say that tax collecting cadres vigorously collect taxes for a bonus is not in accordance with the facts and is erroneous. Collecting taxes is a major means for the state to obtain revenue, tax collecting cadres collect taxes to accumulate funds for the construction of the four modernizations of the nation.

Part of the revenue that the state gathers is used for the economic construction of the nation, and part is used for expenses in undertakings of culture, education, science and hygiene, expenses in defence strategy and expenses in administration and management, but it is not used to give out bonuses; to vigorously collect taxes is a personal duty for the tax collection cadres to carry out according to state policy and tax law regulations, and is the concentrated manifestation of the high sense of political responsibility and their unflagging revolutionary spirit. They are not afraid of hardship, are not afraid of fatigue, battle severe cold and fight heat, climb mountains and go out to the countryside, and rush about. The reason is to even better complete the task of organizing revenue that the Party and State entrusted to them, and is definitely not for a bonus. We should not say that the tax bureau is not implementing a bonus system, even in the enterprises and units that do implement bonus systems; the staff, workers and masses are vigorously doing their bit to help the construction of socialist modernization, and definitely not just for some bonuses. Socialism implements the principle of rewarding according to work. A bonus is a reward for staff and workers working above the quota and is a supplement to the wage system. Of course, the situation of reckless issuing of bonuses exists, but using the viewpoint of the commonplace people of the capitalist class saying that the vigor and creativity of the masses in carrying out the construction of socialist modernization is for a bonus; this is completely erroneous and harmful.

Prejudice is even farther from the truth than ignorance. If a person who maintains the above-mentioned argument does not understand the situation and does not understand why the state collects taxes, then that is still excusable, this then requires that we must frequently strengthen propaganda on tax collection. If Comrade Liu Jizhi reflects that, it is what some tax-paying units and individuals said, this then is worth noting. It should be said that the overwhelming majority of tax-paying units and individuals can all pay taxes according to the state regulations and rules. They fulfill their duty of paying the taxes that the charter stipulates, making a contribution to the construction of socialist modernization. But there are also some taxpaying units and individuals that only want to enjoy their rights, and do not want to do their duty. They seek private gain at public expense, utilize various tricks to evade taxes, and some even go so far as to break the law and resist paying taxes, hurling abuse at and beating the tax collecting cadres. If the statement "tax collecting cadres vigorously collect taxes for a bonus" comes out of their mouths, that then is resentment that misleads the public, is mocking and sarcastic and maligns viciously. They start talk so they can do those things. It is no more than using this to attempt to disperse the fighting will of the tax collection cadres and attack the vigor of tax collecting cadres, thereby

obtaining certain benefits for themselves. Facing this, tax collection cadres definitely must keep a clear head, and prepare at all times to completely reject these erroneous statements, denounce them based on reason, and absolutely cannot let them influence and interrupt the development of tax collection work. We must use our own vigorous action to make a breakthrough in state revenue, to open up a new phase in financial work, strive to obtain a basic turn for the better in financial and economic conditions, and make a due contribution.

12254

CSO: 4006/490

## FINANCE AND BANKING

### GANSU CARRIES OUT REFORM OF CREDIT COOPERATIVES

Lanzhou GANSU RIBAO in Chinese 18 Mar 83 p 2

[Article by Mo Linxuan [5459 2651 8830] and Zhao Bingjie [6392 3521 2638]:  
"The Majority of Our Province's Rural Credit Cooperatives Implement the System  
of 'Five Fixing and One Responsibility'-- Destroying the Old and Create the New  
by Carrying Out Active Reforms"]

[Text] To keep abreast of the new situation that most rural areas implement production responsibility systems, our province's rural credit cooperatives are destroying the old and creating the new by conducting reforms. As of now, over 60 percent of our province's rural credit cooperatives have already implemented the contract responsibility system of "five fixings and one responsibility," resulting in a relatively notable change in the management of credit cooperatives.

Our province's rural credit cooperatives began the experimental work of the management reform in selective units in the second half of 1981 and has carried it out in an all-round way in eight prefectures including Tianshui, Dingxi and Wuwei since 1982. They adopt the contract responsibility system called "five fixings and one responsibility," which means that they fix the amount of savings deposits and loans, the volume of commissioned business, the volume of goods to be procured and the amount of income and expenditure for contracting units and hold them responsible for their profits and losses. They also reward the contracting units by sharing the earnings at a ratio of 40 to 60 if they make more profits or reduce more deficits than they are supposed to according to the contracts and punish them by sharing the earnings at a ratio of 30 to 70 if their profits decrease and deficits increase. At present, among the 1,144 credit cooperatives of our province, 695 have already adopted such a contract system, accounting for 60.75 percent.

After operating for over a year, such a contract responsibility system has resulted in a greater change in the management of credit cooperatives. First, the system has accelerated the development of credit business. According to the statistics compiled in credit cooperatives of the eight prefectures which have adopted the system of "five fixings and one responsibility," the amount of loans issued and collected last year both increased about a third as compared to the previous year, and the amount of savings deposits increased 7.3 percent.

Second, the system has reduced the number of cooperatives having deficits and increased the number of cooperatives making profits. Among the 695 credit cooperatives which have adopted the contract system, 576 have been making profits or have increased profits, showing an increase of 15.4 percent as compared to the previous year, and 85 have switched deficits to profits, showing a decrease of 43.4 percent as compared to the number of cooperatives having deficits in the previous year. Third, the system has substantially changed the business style. Most credit cooperatives adopting the system of "five fixings and one responsibility" have extended business hours and offered door-to-door service in villages and rural areas. Fourth, the system has further implemented the principle of distribution according to work. Take the 22 contracting cooperatives in Jingyuan County for example. Their business income increased by 43.3 percent as compared to the previous year, and their increased profits and reduced deficits amounted to over 84,000 yuan which, according to the terms of the contract, should be shared by individuals and collectives at a ratio of 30 to 70 percent. In other words, the collectives gained over 60,000 yuan and the individuals gained over 24,000 yuan. The increase or per-capita income amounted to 2 to 3 months base pay.

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CSO: 4006/485

## FINANCE AND BANKING

### NEW BANKING MEASURES INSTITUTED

Hangzhou ZHEJIANG RIBAO in Chinese 19 Mar 83 p 1

[Article by Jin Ping [6855 1627]: "New Conditions for Adjusting to Economic Systems Reform: The Province's People's Bank Implements Eight New Measures"]

[Text] (Staff Report) To promote the smooth progress of economic systems reform the Bank Directors Conference of the Province's People's Bank concluded on March 4th, proposed eight measures of reform for banking operations: First is to relax the policy toward collective and individual economies and contract enterprises, welcoming certified collective and individual accounts and implementing the establishment of savings accounts for enterprise units which engage in contracts; any of the above-mentioned newly opened accounts which comply with regulations can apply for loans. Contingent upon proof, the long-distance transport trade of individual household and farm village specialized households can open temporary savings accounts. Second is to support the transformation of enterprise technology. The time limit on outstanding medium and short-term equipment loans can be properly extended beyond the originally designated period. Third is to hold loans on enterprise units in accordance with the fast or slow turnover of funds and experiment with floating interest rates in some municipalities and counties. Fourth is to increase the types of accounting, trying "installment-plan accounting methods" and "check transfer" accounting between the municipalities and the counties within the province. Fifth is, in accordance with the demands of reviving the economy, appropriately loosen cash reserve quotas of units and the uses of cash. Sixth is to reasonably adjust the organization of labor for accountants, savings officers and cashiers inside the banking departments, experiment with one-and-a-half time office hours shift changes and other methods which will lengthen business hours, energetically upgrade work quality and improve service attitudes. Seventh is for every bank to link up its savings with its loans and assume full responsibility for the deficit between savings and loans. Eighth is within the bank departments to keep track of four targeted items--capital, quality, cost and profits, and implement the responsibility system of joint reckoning in order to arouse the initiative of the enlarged bank cadres, staff and workers to manage well and to make good use of capital.

12314

CSO: 4006/486

## DOMESTIC TRADE

### MEASURES TO DEVELOP RETAIL NETWORK PROPOSED

Beijing JINGJI RIBAO in Chinese 13 Apr 83 p 3

[Article by Huang Hungniam [7806 3163 1628] and Hu Jian [2073 1696]: "Developing and Popularizing Small-Scale Retail Stores of Many Kinds"]

[Text] Recently our nation's consumer goods industry has been developing rapidly and the task of circulation of goods becomes more difficult daily. However, the retail outlets in the business network responsible for furthering the delivery of industrial goods from circulation centers to consumer areas are insufficiently developed, seriously influencing the rapid diffusion of industrial consumer goods and simultaneously causing people inconvenience. In 1980, our nation's retail network density was 2.1 outlets per 1000 people, far behind the world standard (according to foreign sources, in 1977, the retail network density in the United States was 8.5 per 1000 people; in England, it was 6.2 per 1000 in 1978; in France, 11.2 per 1000 in 1978; and in Japan, 14.4 per 1000 in 1979) and lower than our nation's own 1957 level. Comparing 1979 to 1957, base-structure business services declined 51 percent; in 1957, base-structure business service personnel constituted 1.2 percent of the population, and in 1979 the proportion declined to 0.8 percent. Because of this, we have to energetically develop the retail outlets in our nation's business network and raise the retail network density in order to secure a high frequency rate for consumer goods and diffusion to consumers over a large area. Specifically, we should adopt the following measures:

#### I. Popularize Small-Scale Individual Retail Stores

In developing the retail business network, we should simultaneously uplift large, medium-sized and small state, collective and individual stores. However, the key ought to be to energetically popularize small-scale individual retail stores. Investment in small-scale individual retail stores is low, building them is quick, they can be distributed widely, their structure is simple, starting them up is convenient, their management is independent, their employment elasticity is great, their diffusion capability is strong, and they can be easily popularized and promoted. Although the large-scale state stores have an ample quantity of commodities, abundant varieties, complete furnishings, greater business trustworthiness, and other exceptional qualities, the investment needed for them is high, the construction period is long, the inner structure complicated, and the flexibility of economic management limited; moreover, since such

stores are always built on major streets in the center of noisy marketplaces, they are also totally inconvenient for daily consumer shopping. For these reasons, we propose the following: 1. The development of large-scale state stores should be strictly controlled, and within the next few years, except in special regions, the state need not build any new large-scale department stores. 2. Restrictions on the development of collective and individual retail stores should be relaxed, and the development of "husband and wife stores" and "youth stores" should be especially encouraged. In economically flourishing Japan, one to two-person small-scale retail stores which occupy 61 percent of the total number of all retail stores have been quite effective in increasing the density of Japan's retail store network and in solving problems of employment. It would be worthwhile for us to consult and draw a lesson from this point. 3. Contingent upon financial resources being sufficient, the state should invest in a number of small-scale retail stores to be leased out to collective and individually-run economies; at the same time, 7 percent of the ground level area of newly constructed multilevel buildings which are required by the state should serve exclusively as outlets in the retail business network, being rented out to collective and individual retail stores as shop fronts.

## II. Develop Many Different Kinds of Retail Stores

Along with the continuous development of our nation's social productivity, industrial consumer goods daily become more abundant, varieties continually multiply and people's demands become more and more complicated. Therefore, while simultaneously operating well the presently existing department stores, markets, comprehensive stores, specialized stores and specialty shops, we still should develop even more kinds of retail stores in our country in order to increase the distribution routes of industrial consumer goods and satisfy many kinds of consumer needs. Specifically speaking, the following several kinds of retail stores need to be developed very rapidly:

1. Mail-Order Stores. These are retail stores which handle the work of ordering and delivering goods through the post office. Their special characteristics are that the consumer buys merchandise in advance by consulting a mail-order catalogue, television or television commercials and using correspondence, the telephone or the telegraph, and the mail-order store delivers the merchandise by mail; the mail-order stores' sphere of circulation is extensive; they save the time of the buyer; they are suitable for the shopping of consumers who are busy at work; and they are able to offer convenience to the particular needs of consumers in remote regions and mountainous areas. In every nation of the world, the mail-order business has been developing very rapidly; in the United States the volume of annual mail-order business is 25 percent of the total volume of annual retail sales, and the Soviet Union has also built quite a number of mail-order stores. Our nation developing mail-order stores and mail-order business will enable it to offer many consumers shopping convenience.

2. Convenience Stores. These are small-scale variety goods stores scattered over sparsely populated areas. Their special characteristics are that they are small in scale, their building outlets are scattered and their business hours are long -- they are always open for service day and night, during and after working hours and on holidays -- to offer convenience to customers. This kind

of retail store, which has a close relationship to the daily life of the masses and a low investment and which is convenient to start up, should be developed with increased vigor.

3. Installment-Plan Stores. These are retail stores which specifically use the method of installment credit to handle durable consumer goods. Their special characteristics are that they deliver the merchandise in advance and receive payment in installments and that they are suitable for the middle income customer in his purchase of durable consumer goods of higher value, like televisions, refrigerators, radios, watches, furniture, etc. In 1982, our nation's Commerce Department in some regions already launched the business of advance delivery of merchandise and payment in installments for a portion of the durable consumer goods; the effect was rather obvious in the increased volume of sales for durable consumer goods. We should go another step further in developing this business, set up special installment-plan stores, institutionalize and specialize the business of "advance delivery of merchandise and payment in installments" in order to encourage consumption even more and to promote production.

4. Factory Retail Stores. These are retail stores that factories which manufacture industrial consumer goods themselves build. Their special characteristics are that factory and store are joined together with the store in front and the factor in back, circulation links are few, costs are low, contact with the consumer is close, and they reflect sensitivity toward changes in the market; this form of retail store management is especially suitable for clothing, shoes, hats and other variety goods and for commodities which are continuously changing fashion. Today and in the future we should encourage enterprises which have the right to sell their own products to develop more of this form of retail store.

Every form of retail store can be set up independently or established jointly within one retail store depending upon the concrete circumstances. In order to encourage the development of small-scale retail stores, banks should give low-interest loans to individual businesses which open stores in populous areas and who use their own residences to open stores. The state should adopt methods of low taxation or tax exemption to render encouragement to individual retail stores which are opened in cities and in remote and secluded areas where the network outlets are too few (as in mountainous and suburban areas). Considering that presently the opening of individual businesses in our country has suffered every kind of reproach and hindrance, we propose that the concerned departments quickly institute protection laws for individual businesses, guaranteeing the management and development of individual business on the basis of law.

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CSO: 4006/486

## DOMESTIC TRADE

### COUNTRY FAIR TRADE FLOURISHES IN HEBEI

Shijiazhuang HEBEI RIBAO in Chinese 13 Apr 83 p 1

[Article by Zhang Yanhua [1728 1693 5478]: "Four New Characteristics Appear in the Country Fair Trade in the Cities and Townships of Our Province"]

[Text] Along with the softening of the policy toward the purchase and sale of farm sideline products and the rapid development of many kinds of channels of circulation, in the country fair trade in our province's cities and townships, which are more flourishing and brisk than ever before, four new characteristics have appeared:

1. In proportion to the volume of retail sales in the whole society, the business volume of the country fair trade has achieved its highest level in history. According to the statistics, in the first two months of this year throughout the whole province the business volume of the country fair trade rose to 303.86 million yuan (according to calculations of the market prices). In comparison with the same time last year, this was an increase of 35.8 percent, which corresponds to 14.64 percent of the volume of retail merchandise sales in the entire society. Since the founding of our nation, this has never before happened.
2. For the first time the growth rate of the business volume of the country fair trade in farm villages has passed the rate of growth in the business volume of trade at fairs in the cities. In the past few years, the growth rate of business in the fair trade in our province's farm villages has been consistently lower than that of the cities. Comparing 1982 with 1981, there was an increase of 26 percent in the cities, while in the farm villages the increase was 8.07 percent. From the first of this year to the end of February, compared to the same period last year, the growth in the cities was 32.99 percent, while in the farm villages there was an increase of 36.16 percent.
3. The volume of business in land, livestock and aquatic produce, which are high in nutritional value, being large and their prices rising indicates that the pattern of consumption in cities and townships is gradually undergoing change. In the first two months of this year, the quantity of exchange in the six major kinds of food commodities increased greatly over last year at the same time. The prices of grain, oil and oil-bearing crops were down. Even

under the conditions of a great increase on the market of quantities of meat, fowl, eggs, aquatic goods, dried fish and fruit, the prices of these items rose. This indicates that, in the cities and townships, the consumption pattern is turning away from the eating of grain as a staple to an even greater demand for land, livestock and aquatic produce which are high in value and rich in nourishment.

4. Country fair trade has already changed to comprehensive marketing. In the past, the kinds of goods on the market in cities and townships were mainly farm sideline products. At present the output and business volume of industrial products, handicrafts and goods from commune team enterprises on the market are increasing at breakneck speed. From the first of this year to the end of February the volume of business in the market for industrial products used daily already reached 22.33 million yuan in our province, more than double the increase of last year at the same time and constituting 13.6 percent of the total volume of business in the country fair trade.

12314

CSO: 4006/486

## DOMESTIC TRADE

### AGRICULTURAL BANK URGED TO SUPPORT RURAL COMMERCIAL REFORM

Beijing ZHONGGUO JINRONG [CHINA'S BANKING] in Chinese No 4, 4 Apr 83 pp 21-22

[Article by Mu Zi [4476 2737]: "Agricultural Banks Should Voluntarily and Enthusiastically Support the Reform of the Commercial System in Rural Areas"]

[Text] In recent years, the development of productive forces in rural areas and the increase of peasants' purchasing power have set a higher demand on commodity circulation and commercial work. This makes the original problem of rural commerce -- difficulty in buying and selling -- become more prominent and acute. Supporting commercial departments in reforming the system of commodity circulation in rural areas, expanding purchases and sales of farm and sideline produce and manufactured goods and stimulating the circulation is an important task facing the commercial credit work in rural areas. Agricultural banks should voluntarily and enthusiastically cooperate with departments concerned in doing a good job in this work.

In supporting the reform of the commercial work in rural areas, the important thing is to deepen our understanding and unify our ideology. We should have a sober understanding of the reality that since the establishment of agricultural production responsibility system, the development of a commodity economy and the increase of peasants' income, the links of circulation have been unable to meet the objective needs. We should have a sense of urgency in supporting the reform of rural commerce. Banks must free themselves from their habitual practice of only supporting production and do a good job in the whole process of production, distribution, circulation and consumption. At present, we should pay special attention to the links of circulation and commerce. In concrete work, we should support the reform of the commercial work in rural areas emphasizing the following tasks.

First, we should improve the measures of fund supply and support the purchases and sales of farm and sideline produce. We should conscientiously abide by the relevant stipulations of the Party Central Committee and the State Council, continuously implement the policy of providing an ample amount of money for buying and selling farm and sideline produce under the first and second categories and actively support commercial departments in establishing more purchasing outlets, adding purchasing equipment, improving purchasing measures, adopting various forms to make things convenient for peasants, doing a good job

in the procurement of farm and sideline produce and organizing more farm and sideline produce to be transported to urban areas. We should support commercial departments in fully utilizing their business capacity, conventional channels of circulation and various forms of purchases and sales to try in a thousand and one ways to promote sales of products and to sell their farm and sideline produce to remote areas within the scope allowed by state policies. In order to protect production, we may support commercial departments in procuring and storing a certain amount of products which are needed by markets but seems in excessive supply for the moment. We may also support commercial departments in asking production teams and specialized and major households to store such products for them. We should support supply and marketing cooperatives in doing a good job in processing farm and sideline produce, comprehensive utilization of products, expanding the use of products, improving product quality and opening up new markets. We should also support supply and marketing cooperatives in doing a good job in social service work before and after agricultural production.

Second, we should help enterprises open up channels and vigorously promote the transfer of manufactured goods to rural areas. We should conscientiously implement the State Council's "Decision on Opening Up the Channels of Commodity Circulation and Expanding the Transfer of Manufactured Goods to Rural Areas." This is an important decision for reforming the system of industrial circulation, promoting industrial and agricultural production and developing a socialist commodity economy. We should support commercial departments in adopting the circulation system of multiple components and channels and few echelons, eliminate the division and barrier between regions, change the situation of monopolized management and explore new ways of transferring manufactured goods to rural areas. All stores jointly run by the state and cooperatives which are qualified for loan utilization may open credit accounts at agricultural banks and settle accounts at local branch offices. This is conducive to enterprises' economic accounting and banks' credit supervision. The wholesale departments directly attached to state-run commercial enterprises generally apply for credit and settle accounts at the People's Bank. However, such work may also be handled through agricultural banks in order to facilitate the transfer of marketable manufactured goods to rural areas. We should help grassroots supply and marketing cooperatives which are major channels for exchanging urban and rural commodities to do a good job in quota fund management. In order to encourage grassroots supply and marketing cooperatives to strengthen economic accounting, improve management and increase economic results, we should fix the base rate of loans in accordance with the turnover period of circulating funds and, after consulting with departments in charge, adopt separate management of funds for households under different categories. (There are two categories: households specialized in purchasing farm and sideline produce and households specialized in dealing with manufactured goods). And we must adopt measures of floating interest rates on a trial basis and in a planned way. If grassroots supply and marketing cooperatives and other cooperative commercial units, in accordance with policies and rational economic trends, purchase marketable goods which are not produced locally, banks should give them support in regard to loans and settling accounts.

Third, we should enthusiastically support the development of collective and individual commerce and service trades in towns. Collective and individual commercial units and units of various service trades in rural areas and towns have flexibility in management, can make things convenient for the masses and are an important factor in stimulating the circulation and a necessary and helpful supplement to the state-run commerce. We should further emancipate our minds, deepen our understanding and boldly support the development of registered and legal collective and individual commercial units and units of service trades in towns on the principle that they are economical, applicable and rationally distributed and that they can make their trades more complete and things convenient for the masses. It is necessary to support these units in engaging in purchases, sales and long-distance shipping of farm and sideline produce under the third category and produce under the first and second categories (except for cotton) after state-assigned tasks are fulfilled so as to expand and promote the sales of farm and sideline produce and solve the contradiction between the overstocking of products in producing areas and the shortage of products in marketing areas. It is also necessary to support these units in buying and selling manufactured goods for daily use and small commodities in order to satisfy the needs of peasants' livelihood. Banks should give them support in regard to funds and settling accounts and offer them necessary help and guidance in regard to business and financial management. It is necessary to help them do a good job in joint purchases and separate sales and solve the problem of difficult purchasing. With regard to those units violating state policies and laws and market controls, it is necessary to suspend or withdraw their loans in light of circumstances. Commodity circulation loans may be extended to collective and individual commercial and service units in towns for purchasing small equipment such as farm and sideline produce processing machines and things for business use on condition that they are qualified for loan utilization. In order to meet the needs of agricultural production, banks should give appropriate support to those supply and marketing cooperatives and collective commercial enterprises in towns which buy and sell locally produced chemical fertilizer at negotiated prices within the scope allowed by the policies of the state and relevant departments as long as they have legitimate resources of commodity and rational prices, their commodities conform to the economic trend and are needed by markets and they can guarantee the repayment of loans.

Fourth, we should enthusiastically support supply and marketing cooperatives in doing a good job in the system reform. At present, the experimental work of the system reform is being carried out in selected supply and marketing cooperatives throughout the country. The content of this reform includes not only restoring the salient feature of the "three characters" of the supply and marketing cooperatives in the 1950s, but also gradually establishing cooperatives at various levels in the form of integration which links producing, supplying and marketing units and combines agriculture, industry and commerce in accordance with the needs of commodity production development in rural areas and the principle of voluntary participation and mutual benefits. At the same time, we should also help grassroots supply and marketing cooperatives restore the character of cooperative business, expand business and service scope and gradually build themselves into multiple service centers of supply and marketing, processing, storing, transport and technology. We should thoroughly investigate

and study the new tasks set forth by the structural reform of supply and marketing cooperatives for the commercial credit work in rural areas and actively help enterprises carry out the management responsibility system in various forms. Banks should offer support to various contract businesses in regard to loans and settling accounts. With the approval of higher responsible departments, lower-level contract units practicing independent accounting are allowed to open independent accounts at banks to establish credit relations. Commission agents set up by grassroots supply and marketing cooperatives in production brigades and production teams, after being changed into self-managed stores, should raise their commodity funds mainly by themselves. If they are short of temporary or seasonal commodity circulation funds, banks or credit cooperatives should help them out.

In order to support the reform of rural commercial work, stimulate circulation and meet the needs of the development of commodity production, we should conscientiously study and implement the spirit of the 12th Party Congress, deepen our understanding, strengthen the leadership over commercial credit work, strengthen and train the personnel in charge of commercial credit work and further do a good job in commercial credit work. We should do a good job in market estimates and market forecasts and continuously investigate and study new situations and problems. Especially when dealing with the problem of clogged commodity circulation channels in rural areas, we should grasp the major contradictions, work out solutions, actively offer suggestions to party and government leaders, and make new contributions to developing a new situation in the rural economy.

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CSO: 4006/488

## FOREIGN TRADE

### PROSPECTS FOR SOUTH-SOUTH COOPERATION REVIEWED

Shanghai WEN HUI BAO in Chinese 9 Apr 83 p 3

[Article by Chen Wenyuan [7115 2429 3293]: "The South-South Cooperation Has an Important Significance and a Bright Future"]

[Text] During his visit to the 11 African countries, Premier Zhao Ziyang said at an interview with Moroccan radio and television reporters in Rabat that China will consider promoting the South-South cooperation as its own major task. At the same time, he also pointed out: "Developing South-South cooperation has not only an important strategic significance but also a bright future."

#### Important Strategic Significance

Due to prolonged colonialist and imperialist plunder and exploitation, the economies of developing countries are underdeveloped. Today, although the Third-World countries have gained political independence one after another, some countries still, in varying degrees, rely economically on developed countries. Therefore, only by strengthening the South-South cooperation can the national economies of the Third-World countries be developed and their strength of self-reliance be increased.

In the past 3 years, western developing countries have been experiencing a persistent economic recession. These countries, especially the United States, in order to overcome the crisis, reduce the prices of raw materials and primary products to the lowest possible levels, restrict the imports of finished products of developing countries and try in every effort to shift the crisis to the Third-World countries. The "Economic Manifesto" adopted at the seventh summit conference of non-aligned countries which was held not long ago points out that in the past 2 years, export earnings of developing countries decreased by \$150 billion, their debts increased by \$37 billion and their losses in foreign exchange were about \$200 billion.

The North-South talks are still deadlocked. The stronger the Third-World countries' economic power is, the better their position in negotiations will be. This is conducive to promoting North-South negotiations, changing the old international economic order and establishing a new order.

## Great Achievements

Developing countries in the south have vast territories, rich natural resources, large populations and broad markets. Quite a few countries have their own unique technology and experience. They may help supply each other's needs and learn from each other's strong points and offset their own weaknesses. In the past few years, the Third-World countries have adopted various forms to strengthen cooperation and have scored great achievements.

ASEAN has not only strengthened cooperation among its member countries but also expanded its economic cooperation with Arab countries. The economic cooperation among the seven countries in South Asia has developed steadily in the past 2 years. A foreign ministers meeting is planned for this year. This shows a major progress. Loans with low interest and on favorable terms provided by Arab countries to African countries average over \$700 million every year.

Africa's regional cooperation has also made great progress. The Economic Community of West African States, which consists of 16 member countries, held a summit conference in May of last year and decided to establish development and energy funds and to consider the realization of self-sufficiency in grain as their fighting goal in the next 5 years. The number of preferential trade countries in east and south Africa increased to 13 last year. They not only demand that trade obstacles be removed but also that economic and social cooperation be strengthened in order to reduce and eliminate their dependence on developed countries. The Latin American Economic System, which has 26 member countries, is an important regional cooperation organization in Latin America. It published a document on 4 March of this year urging all Latin American countries to make concerted efforts to consolidate agricultural development and strive to eliminate their dependence on other areas in food in the 1980s. The Latin America Integration Association, the Central American Common Market and the Caribbean Community have all made varying degrees of progress in economic cooperation.

The seventh nonaligned summit conference also offered new suggestions for strengthening the South-South cooperation, including concrete measures to establish a bank for developing countries and technical cooperation organs. This is further testimony that the South-South cooperation has a bright future.

## More Contributions

China is a developing socialist country belonging to the third world. Our country actively supports multifarious economic cooperation among the vast numbers of developing countries and considers the participation in such cooperation as our major task.

China has a wide trade connection to the Third-World countries. In 1981, the total trade volume between our country and the Third World reached \$92 billion, accounting for 23 percent of the total volume of our country's imports and exports. This has played an important role in developing each other's strong points and accelerating each other's economic development.

Our country has also offered some aid to the Third-World countries. By the end of 1981, our country had taken on 1,317 construction projects in 76 developing countries. Of these, 987 projects have been completed and put into production.

In recent years, China has also expanded the scope of cooperation with some developing countries, developing multiple forms of economic cooperation such as contracting projects, labor and service cooperation, technical exchanges, cooperative production and cooperative management.

The South-South conference successfully concluded on 7 April in Beijing. At the conference, Premier Zhao Ziyang pointed out again that strengthening the South-South cooperation has a great strategic function. The struggle of developing countries to develop their national economy must be closely combined with the struggle to strive to establish a new international economic order.

The Chinese government unswervingly considers strengthening the unity and cooperation with the Third-World as a basic standpoint of its foreign policy, and is willing to make more contributions to the South-South cooperation.

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CSO: 4006/485

## FOREIGN TRADE

### CONSTRUCTION PROJECT IN NORTH YEMEN ACCLAIMED

Yinchuan NINGXIA RIBAO in Chinese 15 Apr 83 p 2

["Labor Research" column by Li Li [2621 7225]: "Venturing On Contracts Abroad Is the Conduct of a Wealthy Nation and an Advantaged People"]

[Text] Since the Ningxia branch of the Chinese Construction Corporation organized a construction crew and entered North Yemen on a contract project in February, 1981, it has been two whole years. Within these two years, the work output successively by two groups of staff and workers, numbering 451 people in all, on the total construction area of over 28,500 square feet for which they were responsible was more than 75 million rials (this amount of the Republic of North Yemen currency is equivalent to about 16 million in U.S. dollars). At the end of last year, they had already completed construction of a 24,000 square foot area with a work output amounting to over 6,900 rials, and the quality of the project meeting construction requirements earned praise from the government of North Yemen.

Venturing on contracts for projects abroad still being a new kind of work for our district, some people do not sufficiently recognize its significance. It is not necessarily to serve as a stopgap measure for the insufficient domestic quotas in the construction industry these past few years; rather, it is the conduct of a wealthy nation and an advantaged people. The significance of venturing upon foreign contracts is far-reaching in that not only can it extend political influence, but it can also increase employment, move the export of commodities and earn money in foreign exchange. Each person in the crew from our region that participated for one year in the Yemen Construction Project last year began with a transfer of 25,193 rials, equivalent to nearly 10,000 renminbi; making contracts abroad is of benefit to our nation's corporations in developing friendly relations with all countries in the world. Our offering technology, equipment and labor to Third World nations not only stimulates the development of the nationalist economy in these countries, but also supports their winning the struggle for independence. This has far-reaching strategical significance for opposing hegemonism, protecting world peace and establishing international economic relations of equal and mutual benefit.

Regarding the construction industry, it will be able to acquire modernized scientific technology and management methods through the venture of foreign

contract projects and association with colleagues in every nation. Moreover, following internal needs, it can import some new technology, craftsmanship and equipment, promoting the rationalization of the technological structure. In following the vigorous development of socialist industry, the task facing the construction industry is as difficult as it can be. Without advanced technology and scientific management methods, it would be impossible to be qualified to accept responsibility for large-scale high-level designs and construction tasks. And the development of foreign contract projects is a good opportunity for importing foreign advanced technological equipment and cultivating construction crews.

Considering the practice of this two year foreign contract project, our district has the ability to undertake foreign contract projects, our construction workers being highly skilled and able to endure hardship and observe discipline. Those participating in the leadership group for the North Yemen Construction Project crew were in close touch with the masses, were good at the work of thought and politics and capable of command. They gave priority to the quality of the project, kept their word, stuck to the letter of the contract and attached importance to trustworthiness. In the inner departments of the enterprise, they earnestly promoted the economic responsibility system, adapted their work to local conditions, used several kinds of management, broadened their financial resources, added to the branches of income and strove to lower project costs. In a strange and foreign land, where the place and people were unfamiliar and conditions changed greatly, they stood firmly and enlarged our influence greatly under competitive and intense circumstances. It is obvious from this that the foreign contract profession promoted by our national construction industry has a great potential and a great future. In order to enthusiastically and reliably push this kind of work toward a new stage, we should step-by-step build the Ningxia branch company of the Chinese Construction Corporation into a relatively stable economic entity which has advance technology and technically advanced construction equipment and a definite amount of capital, strengthen the training of men talented in specialized technology, foreign language personnel and construction crews and raise the standard of management operations in order to increase our international competitive capability, profit even more from foreign exchange and make an even greater contribution toward the building of the Four Modernizations.

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CSO: 4006/486

## LABOR AND WAGES

### ON REORGANIZING THE CONSTRUCTION INDUSTRY ECONOMIC RESPONSIBILITY SYSTEM

Beijing JIANZHU JINGJI YANJIU in Chinese No 6 1982 pp 9-14

/Article by Dalian First Construction Engineering Company/

/Text/ (1) Guided by the line of the Third Plenary Session of the 11th CPC Central Committee, the Dalian First Construction Engineering Company introduced in the fall of 1979 a system of creative contractual economic responsibility which suits its actual conditions. After 3 years of pilot experiment, allout promotion, and indepth development, it has become the backbone of its system of business management. In terms of procedure and content, the system may be divided into four parts. First, the economic relationship between the enterprise and the state is covered by contracts to complete specific jobs and turn over profit to the state. Second, the economic relationship between the enterprise and any unit in charge of construction is covered by contracts to complete specific jobs at per square meter cost plus coefficients. Third, the economic relationship between the enterprise and its internal departments is covered by contractual rewards granted at the company, work site, and construction team or squad levels in accordance with the six criteria of engineering excellence and the major economic and technical requirements. Fourth, the economic relationship between cooperating units is covered by subcontracting, contract of cooperation or entrusted processing. All these lines of responsibility have contributed so much to greater productivity and better morale of the staff and workers that they have actually ushered in an exhilaratory atmosphere never before enjoyed. The cadres inspired with enthusiasm and the workers working conscientiously, the management has improved, and the overall economic effectiveness has increased. In a 2-year period between 1980 and 1981, the amount of work completed by the company was worth 47.94 million yuan, an increase of 16.8 percent over the highest level ever achieved. It finished 255,696 square meters of work, an increase 1.2 times the highest level ever achieved. A full-time worker's productivity has reached 6,644 yuan, an increase of 23.5 percent over the highest level ever achieved. The profit realized (not including profits specified by law) was 5,454,500 yuan, an increase 3.93 times the highest level ever achieved. The rating of engineering excellence in output was 82.6 percent, and the area of work completed was 37.11 square meters per person. The various quotas have been raised considerably in the first 8 months of this year over those of the same period last year. We spent 2.68 million yuan of the withheld fund in the past 3 years to manufacture and purchase 201 sets of 18 types of construction

machinery and equipment. The improved technical facilities have enabled us to build 33,000 square meters of residence to ease the housing shortage faced by the staff and workers. The following table compares the major economic and technical targets achieved under different systems of management in four different stages since 1967.

An analysis of the table shows that between 1967 and 1974 when the enterprise was run on reimbursement of its actual running expenses, the state invested in those 8 years a total of 3.311 million yuan in the enterprise. During the following 4 years, 1975-1978, when its receipts and disbursements were under centralized control by the state, the profit actually earned was 2.234 million yuan. After deducting the running expenses, only 1.647 million yuan went to the state, which had given the enterprise 4.426 million yuan in subsidy for losses and investment. This helped bring down the state's expenditure to 2.779 million yuan net. When the "50-50" profit sharing was in force in 1979, the real profit earned was 1.105 million yuan, 415,000 yuan of which went to the state. In a period of 12 years prior to the introduction of the system of economic responsibility, the enterprise turned over 1.647 million yuan of profit to the state which had provided the enterprise with 7.737 million yuan in subsidy and investment. In balance, the state spent 6.09 million yuan more than what the enterprise had turned over to the state. In 1980 and 1981 when the system of economic responsibility was in force, the real profit (not including profits specified by law) was 1,909,000 yuan, 1,755,300 yuan of which was turned over to the state. Instead of asking the state for investments as it used to do, the enterprise has bought 1.80 million yuan of Treasury bonds. What is the reason for the spectacular success of the system of economic responsibility? We believe the major reason is that the integration of responsibility, power and benefit has linked up the interests of the enterprise with efficient business management to form a dynamic force which pressures everybody to assume economic responsibility and strive to raise economic effectiveness. This has activated the enthusiasm of the enterprise and its staff and workers by doing away with such abuses as "eating from one pot," equalitarianism, and the dislocation of responsibility, power and benefit in the enterprise. Actual experience attests that the role of the system of economic responsibility should not be taken lightly because it represents a correct and far-reaching reform of the management of the construction industry. More and more people are beginning to see that its practical implications are no less significant than the socialist transformation. It sheds a new light on the improvement of the socialist production relations and the enhancement of productivity in China.

A	1	2	3	4	5	6	7	8	9
	1967-1970	1971-1975							
B	1	2	3						
C	1	2	3						
D	1	2	3						
E	1	2	3						
F	1	2	3						
G	1	2	3						
H	1	2	3						
I	1	2	3						

Key:

- A. 1. System of Management, 2. Targets Achieved, 3. Unit, 4. Year, 5. Stage of Reimbursement of Actual Expenses, 6. Stage of Receipts and Disbursements under Centralized Control, 7. Stage of 50-50 Profit Sharing, 8. Stage of Economic Responsibility System.
- B. Amount of Work: 1. In 10,000 yuan, 2. Total, 3. Annual Average.
- C. Area of Work Completed per person: 1. Square Meters per person, 2. Annual Average.
- D. Full-time Labor Productivity: 1. In yuan, 2. Annual Average.
- E. Rating, Engineering Excellence of Output: 1. Annual Average.
- F. Profit Realized: 1. In 10,000 yuan, 2. Total, 3. Annual Average.
- G. Profit to the State: 1. In 10,000 yuan, 2. Total, 3. Annual Average.
- H. Percentage of Profit Withheld by Industry: 1. In 10,000 yuan, 2. Total, 3. Annual Average.
- I. Subsidy for Losses and Investment Provided by the State: 1. In 10,000 yuan, 2. Total, 3. Annual Average.

(2) Unlike the industrial enterprises, the construction enterprises are unique in certain aspects, especially the economic conditions of each and the different departments they each belong to. Consequently, each must see to it that the system of economic responsibility it adopts suits the actual local conditions, and must pay close attention to the study and solution of new problems in order to ensure the success of the system.

The history of our company's experience in implementing the system of economic responsibility in the past 3 years is one of continuing improvement and understanding of the system. In view of what has happened in the current reorganization of the enterprise, we believe the following are the factors which retard the development of the system in depth and breadth.

1. Lack of comparable ideological understanding. Even though our company has been on the economic responsibility system for 3 years, there are still some comrades who do not understand the system very well. First of all, they do not have a comprehensive understanding of the concept of the economic responsibility system, its content, its purpose and implications of its implementation. Guided by incorrect ideology, they believe one-sidedly that the economic responsibility system is no more than "contracting for the completion of specific jobs," "work by the piece," and "rewards and penalties." Secondly, there is no consensus on the criteria for rating the successes and failures of the economic responsibility system. Its implementation is still superficial. The system of inspection, supervision, statistics, rewards and penalties is still defective. There are still some who cannot keep pace ideologically with the reality, nor have shaken off completely the constraint of the "leftist" ideology. There are conspicuous contradictions between the requirement arising out of new situations and the old ideology and work style; the new management organization and the old methods of management; and the lack of ingenuity to spot and study new situations on the one hand and to find solutions to new problems on the other.

2. Lack of horizontal lines of responsibility. The economic responsibility system being put into practice is very extensive in breadth but limited in depth. The system of economic responsibilities from the top to the bottom or vice versa should be reinforced by radial lines of horizontal economic responsibilities. Although the vertical lines of economic responsibilities are clarified by economic contracts for specific jobs at all levels and by rewards and penalties for job successes and failures, there are not adequate lines of economic responsibilities to link together the business relations and coordinations between the different units, which still confront the "no-man's-land" and the wranglings over trifles. For instance, the department responsible for the supply of building materials is not liable for jobs redone due to inferior materials or stoppage of construction due to shortage of materials.

3. Lack of comparable power given to the enterprise. Although the implementation of the economic responsibility system has won for the enterprise some decision-making power and certain modifications of the stifling system of control, such an economic entity still needs more leeway to act freely in order to handle this awesome system of responsibility. Its decisionmaking power is still limited. There is no adequate coordinate of its production, supply and

marketing, nor enough guarantee of its manpower, financial and material resources. Not yet accorded the status of an economic legal person and still placed under strict organizational subordination, it has to look to the higher authorities for its plans and the allocation of manpower and material. While the enterprise is held responsible to its higher authorities, the latter, however, are in no way responsible to the enterprise. Since the departments which control the enterprise are not answerable to any system of responsibility, they often run into disputes over their problems. In spite of the written provision that "a contract once signed shall be legally binding," it is in most cases a matter of formality rather than actual legal protection. There are no adequate inspections, supervision, and legal sanctions against dereliction of duty, breach of economic contracts, and inefficient business management.

4. Lack of comparable foundation work. The implementation of the economic responsibility system poses more and more exacting requirements on the business management of the enterprise. But our existing management capability is quite limited. We face serious dislocation of the ratio of the staff and workers; the lack of good foundation in firsthand records, statistical work, quota management, and standard of measurements; outmoded system and method of management; and all kinds complicated procedures. To implement the economic responsibility system under such conditions is to place it on a very flimsy foundation which is likely to jeopardize its stability and consummation.

5. Lack of comparable political-ideological work. Everybody is enthused over the implementation of the economic responsibility system because it is a major reform tailored to suit China's level of productivity, her management capability, and the awareness of her masses. However, if these unhealthy symptoms are not rectified promptly, the system will not last. Due to lack of an upright guiding ideology, we were unable in its initial stage to be evenhanded in coping with the interests of all the three sides. Instead of looking after the interests of all three, we often stressed unduly the interests of the one to the detriment of the other two. At times we were more interested in the pursuit of material incentives, immediate and partial interests, speed and quantity than the pursuit of political-ideological work, long range overall interests, quality and effectiveness. Actual experience attests that the economic responsibility system and the political-ideological work are mutually dependent and complementary. They reinforce one another, but the one cannot displace the other. The economic responsibility system is neither the only vehicle to arouse the enthusiasm of the staff and workers nor the solution to all the management problems. It takes effective political-ideological work to cope with the fluctuations of workers morale, the coordination of the different kinds of work in production, the unity among the leaders and the departments concerned, and the transformation of the laggard staff and workers. Moreover, the success of the economic responsibility system rests on political-ideological work as a means to raise the socialist consciousness of the staff and workers. Consequently, the political-ideological work must be strengthened, and should not be cut back.

Even though these problems are not the inherent drawbacks of the economic responsibility system, they must nevertheless be closely watched, carefully handled and resolved. Otherwise, it is difficult to expect the system to get better and better.

(3) We have done the following work in the overall reorganization of the enterprise in the hope of resolving the problems mentioned above so as to enable the existing economic responsibility system to develop in depth and breadth toward perfection.

1. The concept, nature, objective, meaning and targets of the economic responsibility system must be well understood, further developed and expanded in scope and content. We think the economic responsibility system implies a specific system of responsibilities governing the relationship between the state and the enterprises, between different enterprises, between the internal units of an enterprise, and roles of the staff and workers in production and management. Resting on the integration of responsibility, power and benefits and reinforced by political-ideological work, the economic responsibility system of the construction industry is a system of business management which operates under the guidance of the state plans by means of economic contracts for the completion of specific jobs in order to improve the business management, to strengthen the responsibility of the enterprise, and to handle correctly the relationship of the three parties concerned, including the state, the enterprise, and its staff and workers, for the purpose of achieving greater economic effectiveness, expanded productivity, and more income. The economic responsibility system actually cover two distinct areas of activities. In the first place, the economic responsibilities must be precisely allocated throughout the enterprise. Being an integral part of the national economy, the public owned construction enterprise must assume in no uncertain terms the specific economic responsibilities assigned by the state, and must be responsible to society and the people by accomplishing all the tasks specified by the state. To ensure the completion of the tasks of the enterprise, the responsibilities must be allocated to the work sites, the construction teams, the different buildings, the squads, units and the individuals concerned so that the enterprise and its staff and workers may contribute what they could to the state. In the second place, the economic responsibilities assumed by the enterprise, the economic results realized and the economic interests of the enterprise and its staff and workers should be considered jointly in order to assure the enterprise and its staff and workers the remuneration they deserve for their contribution to the national construction. This is designed to generate an inherent economic vigor in the enterprise by making everybody concerned about the economic achievements of the enterprise for the sake of his own personal material benefits. How can the successes and failures of the economic responsibility system be evaluated? We are in favor of a six-point evaluation: (1) whether or not specific economic responsibilities are assigned to every level and every individual concerned; (2) whether or not all the state projects have been fully completed; (3) whether or not noticeable economic results have been achieved; (4) whether or not the interests of all the parties are taken care of under the premise of assuring the state a larger portion thereof; (5) whether or not the principle from each according to his ability and to each according to his labor has been observed by the staff and workers; and (6) whether or not the various rules, systems and management operations have been properly established in accordance with the policies of the state. Acting on these principles, we have, since the beginning of this year, done away with the "no-man's-land" where each passes the buck to the other and begun using the existing organizations to allocate the economic responsibilities to every department, every production

and work post, and every individual concerned by insisting on "five specifications": the specification of the scope of operations; the specification of the personnel for the posts, the specification of the basic tasks, the specification of the standard of work, and the specification of the cooperative relationships. Having integrated post responsibility with economic responsibility, and administrative responsibility with political responsibility, we have established an economic responsibility system for the 52 departments of the company, and for its 219 posts which cover the party secretary, the manager, the section chiefs, the heads of units, the various management personnel as well as the production workers. The establishment of post responsibility of the production workers and eliminated the excess of empty political slogans which cannot be adequately evaluated, and ushered in "eight positive requirements" of evaluation: (1) that the responsibility and standard of work are precise; (2) that the quotas and targets are progressive and rational; (3) that the operating techniques are conducive to quality assurance; (4) that there is a requirement for the care of tools and facilities; (5) that there is requirement for the elimination of waste; (6) that there are provisions for labor discipline; (7) that there is a requirement for safe and civil production operations; and (8) that there are permanent periodic inspections. To enable the economic responsibility system to take root, the following five management measures have been revised. They are "contracting for quality completion of specific jobs", "strict economy in the use of materials", "the lease of equipment", "designated management of quotas", and "reduction of cost." We have already put into practice the contracting for the completion of specific jobs at all levels, contracting for the completion of all jobs, and contracting with assurance for the completion of the jobs. The integration of the economic rights, economic responsibilities and economic benefits of all concerned has turned the economic responsibility system into an entity which reaches out from the top to the bottom and in all directions.

2. With more profit for the state as a premise, the enterprise tries to withhold more in order to give more to its staff and workers as a way to handle the interests of the state, the enterprise and the staff and workers. This is more easily said than done. The implementation of the economic responsibility system should be tied closely to the interests of all three, but this calls for submission of profit to the state, an effort to make enterprise prosper and grow, and the betterment of the material lives of the staff and workers. If so, what is a comparatively fair ratio for distributing the benefits between the state and the enterprise? This is a vital issue which may decide whether the economic responsibility system will work. We have derived three principles from our analysis of those units which had handled correctly the interests of the three. In the first place, the ratio must ensure annual increase of the state revenue. In the second place, it should be enough to arouse the enthusiasm of both the enterprise and its staff and workers. Finally, it should meet the need of the enterprise for its simple reproduction, the necessary technological transformations, the renewal of equipment, and the development of new technology. While more withholding by the enterprise and more income for the individuals presuppose more revenue for the state, better economic achievement by the enterprise is the key to more revenue for the state, more withholding for the enterprise and more income to the individuals. This requires fairness and the elimination of personal profiteering at the expense of the public, and dishonest manipulations. The readjustments of the personal income of the staff and workers

should be tied to the profit earned by the enterprises, the rate of labor productivity, and other related economic and technological factors. The rate of wage increase should not exceed the rate of the increase of labor productivity. These matters must be handled in the light of all the factors concerned and for the interests of all the parties. The earning derived from contracting and the over-quota profit of the current year should not be divided up, and a part of it should be kept for rightful use in development production. Acting on the principle that over-quota wages and rewards should be awarded in strict accordance with the controlling standards, we have revised the method for the distribution of rewards. To do away with equalitarianism, we have worked out 15 grades in five categories on the basis of work posts, labor intensity, quality and the types of contribution.

3. All the management methods, business procedures, and firsthand records should be as simple and easily understandable as possible. The lines of responsibilities should be precise, the methods should be simple, and the interests should reach the parties as directly as possible. The program of economic responsibilities first worked out by our company was too complicated in requirements, procedures and methods of calculation. For instance, there were almost 1,000 minute items just for the evaluation of the minor quotas. The inspections required so much manpower and time that they plagued everybody from the top to the bottom. They have been reduced to five articles which are easy to administer, to work with, and to figure out. Construction budgeting is another crucial problem affecting the implementation of the economic responsibility system due to limited manpower and professional capability. We strived in actual practice to find a way to prepare practical, precise, prompt high quality construction budgets, and have put into practice tabulated and systematized budgeting which takes very little time to go to over the various quotas and the pricing of labor and material. This has brought about a 50 percent increase in work efficiency, and is well received by the auditing personnel. Now we are simplifying the regulations of evaluation, contracting for materials, and various firsthand records and business accounts, and revising all the complicated business procedures to increase efficiency.

4. In pursuance of the call for an overall reorganization of the enterprise, we worked through the implementation and perfection of the economic responsibility system to tackle the problem of reorganizing and rebuilding the various management projects in order to set up step by step a scientific and civilized system of business management and push for its continuing improvement. Acting in accordance with the principle of CPC Central Committee, we have worked out the rules for instituting a system of a responsible manager under the leadership of the CPC Party Committee for the enterprise, the rules for instituting a congress of the delegates of the staff and workers under the leadership of the CPC Party Committee, and the rules of CPC party work at the basic level. We have defined the kind of problems to be presented to the CPC Party Committee for deliberation, the basic duties and power of the manager, and his relationship with the CPC Party Committee and the congress of the delegates of staff and workers. We have also set down the principles for improving the production chain of command and other systems of management, and the system and method governing the work of the CPC Party Committee, the administration and the congress of the delegates of staff and workers. Guided by these basic systems, we have set up a better

management for planning, labor, technology, material resources, finance and cost. All these systems are expected to link up with the economic responsibility system which banks on the backing of scientific rules and organizations.

We have stepped up our work in the following four areas to strengthen the management and to consolidate the economic responsibility system.

First, step up training to inculcate rectitude and firm conviction. The leaders at all levels, the various management personnel and the entire body of staff and workers are given comprehensive training by means of training class, instructive lectures, and educational exhibitions on the economic responsibility system. There are printed outlines of review and tests to help everybody form a proper ideological approach to the implementation of the economic responsibility system, and make the staff and workers realize that implementation of the economic responsibility system by the construction enterprise is an objective necessity rather than the decision of any man. Their attention should be guided toward the "four beliefs and three understandings." The "four beliefs" are (1) that the economic responsibility is required by the law which calls for the coordination of the production relations and the rate of productivity, and for a better solution to the relationship between responsibility, power and benefits; (2) that the economic responsibility system is the objective requirement of socialized large-scale production which must be handled by people, and that the management and production personnel at all levels should each have well defined jobs and responsibilities as the division of labor proliferates with the expansion of production; (3) that economic responsibility system, dictated by the nature of the socialist production relations, will generate an inherent dynamism in the enterprise as long as the principle of distribution according work is observed; and (4) that the economic responsibility system which is here to stay is not a discretionary measure. Consequently, the management personnel at all levels must reach "three understandings" including a clear understanding of the purpose, meaning and procedure of the economic responsibility system; a clear understanding of the operational process and the system of management involved in the implementation of the economic responsibility system; and a clear understanding of the tasks and standard for each in the implementation of the economic responsibility system. All these are needed to lay an ideological base for realizing the economic responsibility system.

Second, press for reorganization to strengthen the foundation work of industrial management. The lack of adequate foundation work has been a serious factor that plagues the management of the construction industry and retards the consummation of the economic responsibility system. To meet the requirements of the economic responsibility system, we have overhauled and strengthened the work in this particular area as we reorganized the enterprise.

As a matter of organization, we strengthened the accounting work by adding an economic accounting office to the company, an accounting section to every work site, and "a chief with six aides" (one construction team leader, a construction officer, a technician, a material officer, a quota officer, a statistician, and an accountant) for each construction team. They share a total of 233 professional management personnel of all kinds. The elimination of "top-heaviness" in management reinforces the base for the implementation of the economic responsibility system.

We replenish and improve on a continuing basis the ceilings on labor, on the consumption of supplies, tools and equipment, and on various expenditures, and have broken the economic and technical evaluation targets of the enterprise into 76 items distributed to the various departments which are required to administer the evaluation and provide periodic analysis of economic activities.

We have devised various technological standards for assessing the different kinds of work, including improved standards for connecting different kinds of work and the inspections for acceptance, technological standards, on-the-spot management standards, equipment management standards, standards for the inspection and acceptance of work already completed, and standards for the inspection and rating of engineering excellence.

To expedite the flow of all relevant data and information to the departments concerned for better control over the economic effectiveness of production, we have made each numbered unit of construction the center of all firsthand records which cover "four accounts and seven tabulations" (the itemized account of the engineering cost of each unit, the account kept by each supply depot for materials on quota, the account kept by each depot in charge of contracted work with specified labor cost, the account kept by each depot of statistic engineering progress, and the tabulations covering the economic accounting, labor expense, material expense, machinery expense, consumption of material, erecting tools, and fulfillment of technological measures).

In response to the call for higher and higher work standard, we have devised better procedures of measurements. All the concrete at the work sites is weighed at the depot; and ratios of sand, gravels, cement, and water are carefully watched. Trained measurement personnel are assigned to larger work sites. This helps cut down the loss and waste of materials and enhances the quality of the construction work.

Moreover, we organized training for the professional management personnel who have very little knowledge of the business operations, and conducted comprehensive evaluations. Those who qualified are given "permits to work at the posts," and those who did not qualify are given "temporary learning permits." This not only encourages the cadres at all levels and the staff and workers to learn the technology and business operations to meet the requirements of the posts but also improves the caliber of the work force.

Third, to drive for actual achievement, we have established an evaluation network at each level. The evaluation of the implementation of the economic responsibility system is serious demanding job. Since it involves rewards and penalties, it affects the political integrity and economic interests of the masses. No matter how perfect the system is, it would still be as worthless as a scrap of paper if there were no strict evaluation. So we have organized a two-tier leading evaluation unit headed by a manager or director but composed of the section or unit chiefs of the major departments. It reviews the evaluative work and passes judgments on all important issues. The day-to-day evaluations are handled by the organization, personnel, and wage departments. Needless to say, fair and precise evaluations rest on prompt transmission and feedback of all the necessary information. We have to have the evaluation records and reports.

prepared at each level, monthly evaluation analyses, well coordinated meetings, and speedy solution of evaluation problems. There are five principles which we must observe in conducting evaluations. (1) Uphold the evaluation standards which shall not be lowered unless amended by a central authority. (2) Insist on facts and truth, and nobody shall lose any point unless he is proven responsible by established facts. (3) Uphold impartiality, eliminate reprisals and impetuous actions, but discipline those who are guilty of favoritism and collusions. (4) Encourage subjective activism. One who is responsible for failure to do well a job which could be done better if he had tried hard enough shall lose his points of merit. (5) Practice criticism and self-criticism, do not pass the buck when something goes wrong, be strict with oneself, and the leaders must set good examples and promptly resolve any ideological dispute affecting the evaluations in order to make the system work better and better.

Fourth, uphold the objective law in order to strengthen the ideological-political work. The implementation of the economic responsibility system is a brand new matter. It is bound to collide with the thinking of the cadres and the masses, affect the existing rules and working habits of the various areas concerned, and contradict the long established concepts of people. This will inevitably lead to divergent ideological perceptions. It takes indepth and patient ideological-political work by the CPC party organizations at all levels, instead of coercion and administrative decrees, to channel them to the right direction. After all, it takes people to put any good system into practice. If people differ in their perceptions, or question and misconstrue the system, it would lose its usefulness, or even get out of control and cause damage. Consequently, the implementation of the economic responsibility system will not cut down the amount of the ideological-political work. Instead, the work will be more substantial and more difficult as it has to present a new dimension. To ensure complete success of the economic responsibility system, we must give top priority to ideology and let ideological-political work go through the entire process of its implementation, and resolve all the ideological problems which happen to crop up.

5360

CSO: 4005/360

## TRANSPORTATION

### BRIEFS

SHANDONG RAILWAY INSPECTION--Shandong Province's Jinan Railway Workers' Paper frontpages news concerning Minister of Railways Chen Puru's visit to the (Huangtai) railway station on 17 May. Comrade Chen Puru urges all railway workers to study RENMIN RIBAO's editorial on being brave in shouldering responsibilities and daring to struggle. He urges the large number of workers in charge of loading and unloading cargos to do their jobs in a civilized manner. [SK251040 Jinan Shandong Provincial Service in Mandarin 2300 GMT 18 May 83]

CSO: 4006/. 31

## GENERAL

### ORGANIZATIONAL REFORM, ECONOMIC RESTRUCTURING DISCUSSED

Beijing JINGJI RIBAO in Chinese 16 Apr 83 p 3

[Article by Song Yifeng (1345 0001 1496): "Organizational Reform and the Reform of the Economic System"]

[Text] Some comrades are not clear about the meaning and content of organizational reform and the reform of the economic system. Some may think that these two are "two completely different things." Some comrades thought that they were the same thing and that when organizational reform was completed, the tasks of the reform of the system would have been basically fulfilled. In fact, neither one of these two views is complete and precise.

The organizational reform of various departments under the Party Central Committee and the State Council and of provinces, municipalities, prefectures, counties, and communes including the reform of administrative system and organs is an important component of the reform of the entire system. The objective of the organizational reform is to resolutely change the phenomena of excessive departments, overstaffed organs, multiple echelons, disputes over trivial matters, overstaffing, too many unimportant and nominal posts and low work efficiency and to eliminate various expressions and causes of bureaucracy in current management systems so as to enable such organs to effectively lead the work of creating a new situation in socialist construction. Phenomena in current economic life, such as division between urban and rural areas and between central and local authorities, duplicate production, clogged circulation, multiple leadership which holds each other back, low efficiency and serious wastes, are all related to the irrational administrative system and organs. If we fail to change this situation, we will be unable to smoothly carry out the reform of the economic management system. Therefore, we may say that the reform of the economic system begins with the reform of administrative organs. The organizational reform should suit the needs of the reform of the economic system, clear the way for the reform of the economic system and create conditions for it. The reform of organizational reform must not create obstacles for the overall reform in the future.

The reform of the economic system is to reform the superstructure and relations of production which do not meet the need of the development of productive forces so as to give full play to the superiority of our country's socialist

system, enable the national economic construction to continuously develop and accordingly improve the people's livelihood. The reform of the economic system includes reforms of the production management system, the distribution system, the circulation system and systems in all fields. It also involves issues concerning planning, finance, taxation, prices, labor, wages, banks, foreign trade and other fields. Through the reform of all fields, we should rationalize the structure of industries, products, technology, enterprises, and organizations and the overall arrangement of industry and economy, properly handle the relations between the planned economy and market regulation, and give better play to the role of prices, taxes and credit as economic levers.

Through the reform of all fields, we should control the production of goods in ample supply, promote the production of new products in short supply, encourage the advanced and the backward, promote industrial specialized coordination and integrated reorganization, encourage enterprises to improve management and increase the economic results of our entire society. We may say that without the overall reform of the economic system, the reform of administrative organs would be incomplete and cannot be stable. Only by closely combining the two and conducting the reforms in a comprehensive, resolute and orderly manner can we create a new situation in the socialist construction of our country.

12302

CSD: 4006/485

## HONG KONG MEDIA ON CHINA

### REFORM OF ENTERPRISES IN GUANGDONG PROVINCE ANALYZED

Hong Kong WEN WEI PO in Chinese 4, 8, 9 Apr 83

[Article by Li Kehua [2621 0344 5478]: "Momentous Reform Undertaken by Enterprises in Guangdong Province in Last 2 Years"]

[4 Apr 83 p 7]

[Text] With the approval of the Guangdong Provincial People's Government, eight large enterprises, namely, the Guangzhou Sewing Machine Industrial Company, the Guangzhou Bicycle Industrial Company, the Guangzhou Silk and Linen Factory, the Shaoguan Gear Factory, the Foshan No 1 Radio Factory, the Foshan No 2 Cotton Textile Mill, the Jiangmen Nanfang Food Products Factory and the Jiangmen Plastics Factory, have since July 1980 adopted the reform of "substituting the payment of taxes for the payment of profits and assuming sole responsibility for profits and losses" on a trial basis. The reform has now been in progress for over 2 years. What has been reformed and what are the future prospects? The writer would like to acquaint the readers with the situation.

#### Main Features of Reform by Substituting Payment of Taxes for Payment of Profits

The reform undertaken by the eight large enterprises on a trial basis is known in full as the reform consisting of "independent accounting, the levying of taxes by the state and assumption of sole responsibility for profits and losses," or "substituting the payment of taxes for the payment of profits and assuming sole responsibility for profits and losses," or "taxes for profits" for short. That is to say, instead of collecting profits as in the past, the state levies taxes on the enterprises and allows the enterprises a larger measure of autonomy in production, operations and management.

There are specifically two reform measures. First, the state levies "two taxes" and "two fees" and second, "four taxes" and "two fees" on the enterprises. The tax rate is to be computed according to the different basic conditions and different profit margins of the enterprises and different types of the "taxes for profits" reform are to be instituted on a trial basis.

"Two taxes" and "two fees" are levied by the state on three selected large enterprises in Guangzhou (including the Shaoguan Gear Factory). The "two taxes" include first, the industrial and commercial tax and second, the income tax. In fixing the income tax rate, it is first necessary to ascertain "the amount of profit after readjustment" of the selected enterprises. This amount is arrived at by adding to the profit realized by the enterprises in 1979 prior to the reform the total amount of wages paid to the workers of the enterprises and the welfare funds and bonuses which used to be listed under and paid out of the cost column and subtracting from that the amount of fixed assets and the circulating fund quota. How is the tax rate determined? In the main, seven items are first subtracted from "the amount of profit after readjustment" mentioned earlier, namely, (1) trial production funds for new products which should be retained by the selected enterprises (1 to 2 percent of the "profit after readjustment"); (2) employees' training fund (5 percent of profit after readjustment); (3) production development fund for the enterprises (5 percent of profit after readjustment); (4) employees' welfare fund (11 percent of total amount of wages); (5) employees' bonus fund (17 percent of the total amount of standard wages); (6) fund for the enterprises (5 percent of the total amount of wages); (7) total amount of wages for the employees of the enterprises (including subsidy for subsidiary foodstuffs for employees, the increase represented by the adjustment of wages and wages for new employees for the first half of 1980). The income tax rate for the enterprises is determined after subtracting the seven items listed above from the amount of "profit after readjustment." The "two fees" are first, a monthly fee of 0.5 percent for the use of fixed assets and second, a monthly fee of 0.21 percent of the interest for the circulating fund quota. After paying the taxes and fees, the enterprises are free to allocate and to use their income as they see fit and are to assume sole responsibility for profits and losses.

"Four taxes" and "two fees" are levied by the state on the four selected enterprises mentioned above in Foshan and Jiangmen Municipality. By "four taxes" is meant (1) the industrial and commercial tax which is similar to the standard set for the selected enterprises in Guangzhou (including the Shaoguan Gear Factory); (2) income tax which is based on the profit made by the enterprises in 1979 plus the total amount of wages paid to the workers, welfare funds and bonus funds minus real estate taxes, automobile and shipping license taxes (more later), fees for the use of fixed assets and the circulating funds quota. The amount arrived at represents the "amount of profit after readjustment." After subtracting the seven items which may be retained by the enterprises (similar to the selected enterprises in Guangzhou), the difference between the sum of the seven items and the "amount of profit after readjustment" is to be the tax rate; (3) an annual 1.2 percent tax is levied on the original value of the factory premises and buildings, while a 0.7 yuan tax is levied on each square meter of land on the factory site; (4) as regards automobile and shipping license taxes, an annual tax of 20 yuan is levied on each ton of forklifts, cranes and trucks, an annual tax of 20 yuan is levied on small sedans, jeeps and bread delivery trucks, an annual tax of 48 yuan is levied on motorized pedicabs and an annual tax of 8 yuan is levied on non-motorized pedicabs and large hand-carts. A tax is levied on such vehicles within the factory compound. By

"two fees" is meant (1) the fee for the use of fixed assets amounting to a monthly 0.2 percent of their original value and (2) the fee for the use of the circulating fund quota, the amount of which is similar to that applying to the selected enterprises in Guangzhou. After paying the taxes, the enterprises are free to use their income as they see fit and are to be solely responsible for their profits and losses.

The following provisions have also been made by the provincial government for the selected enterprises undergoing reform:

First, the selected enterprises are, as a matter of principle, to raise their own funds for tapping their resources, renovations and reforms. If the funds available are not sufficient to meet their needs, they may apply for loans from banks. Taxes are paid after the repayment of loans from the profits they have made.

Second, the selected enterprises are to use their production development funds from their retained profits after the payment of taxes to generate added profits by engaging in expanded reproduction. Those enterprises which are capable of independent accounting and which have been certified by the financial departments are to be exempted from the payment of income taxes for a period of 2 years.

Third, the profits realized from the products turned out by the selected enterprises as a result of repairing and utilizing discarded equipment are to be computed separately. With the approval of the financial departments, the enterprises are to be exempted from the payment of industrial and commercial taxes for 3 years and from the payment of income taxes for 5 years. The total amount of such taxes retained by the enterprises may be used at the discretion of the enterprises for the collective welfare of their employees.

The above reform measures are to remain in effect for a period of 3 years.

The selected enterprises have autonomous powers in 10 major areas.

The eight large enterprises which have adopted the "taxes for profits" reform have been given autonomous powers in 10 major areas:

First, they have the autonomous power to make independent decisions in drawing up the production, sales and financial plans. These plans are to be made by the selected enterprises on the basis of the guiding and command plans handed down by the state and of the production quota which should be set on the basis of the supply and demand situation in the market and the amount of raw materials, fuel and energy resources available to and the production capability of the enterprises. In the process of putting the plan into action, the enterprises are to have the power to make adjustments necessitated by actual circumstances.

Second, they have certain powers to sell their own products. That is to say, after having fulfilled the plan handed down by the state and contract

terms for the supply of goods, the enterprises have the power to sell their products over and above the quota, products using raw materials acquired by the enterprises themselves and new products put out on a trial basis. The enterprises also have the power to sell 5 to 15 percent of the category 2 products which are under the procurement plan.

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[Text] Third, they have certain powers to fix prices. They can decide to let the prices of products whose supply exceeds the demand float downward; they can fix the prices of products which they are permitted to sell directly to their clients; they can fix the prices or negotiate prices within the stipulated range for products for which the state has set floating prices; they can negotiate the prices of export products with the export departments; they can fix the prices of non-standard products and products which are put out only once.

Fourth, they have the power to share foreign exchange earned by export products.

Fifth, they have the power to decide on whether to adopt the joint operation or partnership form of operation. On the basis of the need for the development of production and the principle of equality and mutual benefit, they may decide to engage in joint operations, enter into partnership or embark on compensatory trade with the industrial, agricultural, commercial and scientific research enterprises in the nation.

Sixth, they have the power to recruit for or to reduce the labor force. They may open up avenues of production and provide training for the surplus workers according to a plan or assign them to other areas. They have the power to make known their plans, to advertise for recruits in designated localities, to select the best qualified applicants and to reject those who fail to meet the technical standard required.

Seventh, they have the power, after the payment of taxes, to allocate and use their income at their discretion. The concerned departments are not permitted to divert or to take a share of such incomes.

Eighth, they have certain powers to appraise and to promote their workers. With the approval of the concerned departments, they may raise the wages of certain workers, pay subsidies to the workers by stages according to their positions and their duties and determine the amount of overtime pay. They also have the power to pay bonuses to and to dismiss their workers when necessary.

Ninth, they may widen the democratic powers of their workers in the administration of the enterprises. They may adopt on a trial basis the system of making the factory director assume all responsibilities under the leadership of the workers' congress. The workers' congress is to be an organ of power which, according to the relevant provisions of the state, is to discuss and

to make decisions on such important matters as the production and operational policies of the enterprises, plans for production, supplies, sales and finance, labor and wages, the election and recall of factory directors and to make recommendations for the approval and appointment of factory directors by the higher authorities.

Tenth, they have the power to advertise for and to select technical and professional administrative personnel. The units to which the applicants belong are not permitted to offer any interference, while the personnel departments are to render all the necessary assistance.

#### Economic Results of Enterprises Show Great Improvement

As a result of adopting the "taxes for profits" reform on a trial basis, the eight selected enterprises in Guangdong have assumed a basically new look. Specifically, the state has received a higher income, the enterprises have retained higher profits, the workers have been paid higher wages individually and economic benefits have been higher than ever before. That is best illustrated by the following figures:

First, the total industrial production value generated by the eight selected enterprises has exceeded by 2.28 times the estimated value of the state-operated industrial enterprises in the entire Guangdong Province (hereafter referred to as grassroot enterprises). According to the figures for the years in which the experiment was conducted, the total average production value of the industrial products of the eight large enterprises for the 2 years (July 1980 to June 1982) after the experiment exceeded that for the 2 years (July 1978 to August 1980) prior to the experiment by 47.5 percent. Taking the regular year as a basis for calculation (January 1980 to the end of 1982), the average progressive annual rate of increase for the 3 years came to 13.5 percent, or 2.28 times the rate of the grassroot enterprises of the entire province.

Second, the industrial and commercial taxes paid by the eight large enterprises are 1.55 times higher than those paid by the grassroot enterprises. The average increase for the 2 years in which the experiment was conducted was 47.67 percent and the average per annual progressive increase was 18.7 percent for the 3 years according to the regular year.

Third, the profits realized by the eight large enterprises were 2.57 times higher than those realized by the grassroot enterprises. The average rate of increase for the 2 years was 175.7 percent according to the annual rate for the experimental years and the average progressive rate of annual increase for the 3 years was 40.4 percent according to the regular year.

Fourth, the profit rate was increased by almost 100 percent. In the 2 years prior to the experiment, the average rate of profit for each 100 yuan of production value of the enterprises was 7.33 yuan, while that for the 2 years after the experiment reached 14.45 yuan which represents an increase of 97.8 percent.

Fifth, the income paid to the state by the eight large enterprises showed an increase of some 70 percent. The income taxes, the "two fees" and other taxes paid to the state for the 2 years showed an increase of 69.8 percent on the average over the profits paid for the 2 years prior to the "taxes for profits" reform. The average annual progressive rate of increase was 20.3 percent for the 3 years according to the regular year, while the average annual decrease of the grassroot enterprises was 1.23 percent. The net income of the state for the 2 years after the experiment showed an increase of 77.1 percent over that for the 2 years prior to the experiment. Excluding industrial and commercial taxes, the net income of the state for the 2 years after the reform showed an increase of 1.6 times over the figure for the 2 years prior to the reform.

Sixth, the average labor production rate of all the workers of the eight large enterprises for the 2 years after the experiment was increased by 25.1 percent over the rate for the 2 years prior to the experiment.

Seventh, without affecting the increased income of the state, the enterprises are using a larger amount of the retained profits to enlarge the scope of their operations and to improve the welfare of their employees. The eight large enterprises have used their production development funds after the reform to extend their factory buildings by 28,000 square meters, to purchase 755 pieces (sets) of equipment and to complete 204 items of technical reform. The eight large enterprises also made use of collective welfare funds to build 62,707 square meters of dormitories for their employees, or an additional 2.4 square meters on the average for each employee, and to build 4,088 square meters of dining halls for employees and nurses. The newly added fixed assets of the eight large enterprises after the experiment were 12.6 percent of the original value of the fixed assets prior to the experiment.

[9 Apr 83, p 7]

Eighth, the production value (or quantity) of five of the eight selected large enterprises doubled, while the profits made by six of them also doubled. In the 3-year period from the granting of more powers to the enterprises to the "taxes for profits" reform, the number of sewing machines produced by the Guangzhou Sewing Machine Industrial Company more than doubled, from 500,000 in 1979 to 1.1 million in 1982. The average annual increase for the 3 years was 200,000, whereas the average annual increase for the 3 years prior to the reform was only 24,000. Judging from the 1982 production development, it would take decades to develop the capacity to produce an additional 600,000 sewing machines. Judging from the results of investments made by the light industries, it would take an investment exceeding 30 million yuan to produce those 600,000 additional machines. With the reform of the enterprises, that was accomplished within a period of 3 years as a result of the enthusiasm and creative spirit demonstrated by the enterprises in spite of the increased annual payment of taxes to the state amounting to over 30 percent.

Ninth, while more is paid to the state and retained by the enterprises, the workers' wages paid to the workers have also improved their standard of living. During the Guangzhou Bicycle Industrial Company, one of the eight

enterprises, as an example, whereas the bonuses paid to the workers amounted to only 370,000 yuan for the 2 years prior to the experiment, the same to 3,243,000 yuan for the 2 years after the experiment. That is to say, in addition to their regular monthly wages, each worker received an additional bonus of 31.78 yuan. After the experimental period, the average bonus paid to each worker in the Foshan No. 2 Cotton Textile Mill rose to 26.41 yuan, an increase of 17.78 yuan over the figure prior to the experiment, thus ensuring a considerable improvement in the livelihood of the workers.

#### Outline for "Taxes for Profits" Reform

The reform that is being instituted in the industrial enterprises in Guangdong is mainly being carried out on the basis of the following principles: Reform is to be carried out on the basis of the actual situation prevailing in the province and in the factories in a practical and realistic manner and in accordance with objective economic laws. Care is taken to avoid "arbitrary uniformity" and the adoption of one single pattern, while encouragement is given to the taking of action in a bold manner. Thus, there has emerged the form adopted by Qingyuan County (exceeding profits and raising the amount of bonuses set by the plan on a trial basis, expanding the powers of the enterprises, terminating some of the industrial bureaus, expanding the powers of the county economic commission, adopting the "profit contract responsibility system" in recent years, expanding the powers of the enterprises on a selective basis (in 1979, 168 enterprises in the province were selected on a trial basis to adopt the "profit retention" policy which permits the retention of the entire amount of profits or of a larger amount of profits), concluding contracts for profits and losses and adopting the contract responsibility system (see "Industrial and Commercial Enterprises in the Cities and Towns in Guangdong Province Adopt Contract Responsibility System on a Trial Basis" appearing on 2 and 3 March in this paper). Another form is that of "taxes for profits" discussed in this article.

Like other types of reform, the "taxes for profits" reform has a practical future. First, the "taxes for profits" reform, insofar as the payment of taxes is concerned, is a reflection of the flexible policy of helping to sustain and to promote production and of "raising chickens for laying eggs" and of avoiding "cutting chives" and "whipping a fast-gaited ox" so that the enterprises may have a larger amount of reserve funds to act without undue restraint. Second, given the 10 major economic powers in the areas of production, operations and management, the enterprises are free to engage in production in a flexible manner and to develop production to meet consumer needs. Third, in the distribution of income, the enterprises have found it possible to adhere to the principle of "expecting fruit and according to responsibility and giving to each according to his work." In addition to bonuses and welfare funds, the wages for the workers are closely linked with the results of the operations of the enterprises. When a firm is sustained by the enterprises, the wages are raised, and when a profit is made, more is paid to the state, a larger amount is retained by the enterprises and more is given to the workers. Thus, the principal objective of

the workers is more closely linked with the state. The operations of the enterprises, the cause of the workers is inseparably bound up with that of the enterprises and profits and losses are shared by all. The motive force generated by this pressure has served to kindle enthusiasm and creativity in production. Thus, this type of reform, having as it does a tremendous vitality and a great deal to be said in its favor, is headed in the right direction.

Recently, the State Council, which attaches great importance to the "taxes for profits" reform, gave its approval to the "Draft Measures for the 'Taxes for Profits' Reform on a Trial Basis" which will be issued to the concerned departments in various organizations in different locations for their study and discussion so that it may be revised and adopted on a trial basis as soon as possible. In its remarks on the draft, the State Council pointed out that the "taxes for profits" reform undertaken by the state enterprises represented an important aspect of the reform of the economic administration system and that in dealing with the ratio of distribution between the state and the enterprises, the "taxes for profits" reform pointed to right direction in which reforms should be made and that it was far superior to other types of reform. Li Peng [2621 2590], Vice Minister of Finance, further revealed to a reporter of the New China News Agency that, toward the end of last year, the Ministry of Finance and the Commission for the Reform of the State System had undertaken the work of investigation and survey in Shanghai, Tianjin and Jinan, summarized the experiences of the "taxes for profits" reform of the selected enterprises and come to the conclusion that the measures taken by the state enterprises throughout the nation to substitute the payment of taxes for the payment of profits should be adopted.

In summing up, the taxes for profits reform has been widely adopted not only in Guangdong, but also throughout the nation. It can be expected that the selection of the best among the various types of reform by the enterprises according to their circumstances will provide a powerful motive force for the development of production in the national economy, establish a firm foundation for quadrupling the annual value of China's industrial and agricultural production by the year 2000 and continue to make new breakthroughs in China's four modernization projects of construction.

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CSO: 4006/456

HONG KONG MEDIA ON CHINA

QINGHAI GOVERNOR SPEAKS ON DEVELOPMENT PROSPECTS

HK231044 Hong Kong TA KUNG PAO in Chinese 23 May 83 p 1

[Report by Lu Ping [4151 1627]: "Qinghai Is Rich in Five Kinds of Natural Resources; This Means Great Potential in Foreign Trade Development"]

[Text] In an interview with our reporter, Huang Jingbo, governor of Qinghai, said: "With our vast territory and abundance of natural resources and energy resources in Qinghai, the conditions for our devotion to provincial economic development are highly favorable. Qinghai has great potential in foreign trade development."

Huang Jingbo said that the province was seldom publicized before because it was located in the remote northeastern corner where accessibility was difficult and its experience in foreign economic activities was limited. But, in fact, there are five kinds of natural resources in Qinghai which are in abundance. They are industrial ore, livestock, crops, wild animals, and forest resources.

He then said that in the territory of more than 700 square kilometers in Qinghai treasure was everywhere. It is rich with ores. The coal reserve in the province amounts to 4 billion tons, oil reserves are abundant and the salt resources even reach the astonishing level of 60 billion tons. There are also other inexhaustible top quality resources such as borax, asbestos, rare metals, gold, silicon crystal, and construction materials such as plaster stone, limestone and quartz.

Qinghai is one of the four main pastoral areas in China since the natural grassland there amounts to more than 0.5 billion mu. It has a reliable source of livestock as its annual livestock production is more than 20 million head. Production of industrial crops such as broad bean, Chinese wolfberry, garlic, hot pepper, and black moss are rich in quantity and of a relatively high quality. Many wild animals are sources for drugs and other wild animals, such as the marmot and ochotona, are sources for precious furs.

These plentiful treasures were not properly developed in the past. At present, however, the construction of an industrial complex is basically completed. With the gradual development of transport, further development

of modern technology, exploitation of natural resources, and improvement of product quality, the prospects for the foreign trade development of Qinghai is promising.

Huang Jingbo said in conclusion that with all these favorable factors, he believed that Qinghai is completely capable of attaining prosperity.

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June 22, 1983